



**PROPOSED RULE MAKING
(RCW 34.05.320)**

CR-102 (7/22/01)
**Do NOT use for expedited
rule making**

Agency: Board of Accountancy

- ☒ Preproposal Statement of Inquiry was filed as WSR 01-11-076 ; or
☐ Expedited Rule Making -- Proposed notice was filed as WSR _____; or
☐ Proposal is exempt under RCW 34.05.310(4).

- ☒ Original Notice
☐ Supplemental Notice
to WSR
☐ Continuance of WSR

(a) Title of rule: (Describe Subject) Chapter 4-25 WAC See attached for listing

Purpose: To adopt, amend, or repeal rules to implement the revisions to chapter 18.04 RCW passed through the 2001 Legislative Session (Engrossed Second Substitute Senate Bill 5593)

Other identifying information:

(b) Statutory authority for adoption: See attached

Statute being implemented: See attached

(c) Summary: See attached

Reasons supporting proposal: Engrossed Second Substitute Senate Bill 5593 that passed through the 2001 Legislative Session significantly revised the Public Accountancy Act (chapter 18.04 RCW). The Board of Accountancy needs to revise all of its rules for statutory authority and adopt, amend, or repeal rules to implement the revisions to chapter 18.04 RCW. Continued—See attached

(d) Name of Agency Personnel Responsible for:	Office Location	Telephone
1. Drafting.....Dana M. McInturff, CPA	711 S Capitol Way, #400, Olympia	(360) 586-0163
2. Implementation.... Dana M. McInturff, CPA	711 S Capitol Way, #400, Olympia	(360) 586-0163
3. Enforcement..... Dana M. McInturff, CPA	711 S Capitol Way, #400, Olympia	(360) 586-0163

(e) Name of proponent (person or organization): Board of Accountancy

☐ Private
☐ Public
☒ Governmental

(f) Agency comments or recommendations, if any, as to statutory language, implementation, enforcement and fiscal matters:

(g) Is rule necessary because of:

Federal Law?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	If yes, ATTACH COPY OF TEXT Citation:
Federal Court Decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
State Court Decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	

(h) HEARING LOCATION:
Wyndham Garden Hotel - SeaTac
18118 Pacific Highway South
SeaTac, Washington

(SEE ATTACHED FOR ADDITIONAL HEARINGS)

Date: 8/24/01 Time: 9:00 a.m.

Assistance for persons with disabilities: Contact
Cheryl Sexton by 8/17/01

TDD (800) 833-6384 or (360) 664-9194

NAME (TYPE OR PRINT)

Dana M. McInturff, CPA

SIGNATURE

TITLE

Executive Director

DATE

7/18/01

Submit written comments to:
Dana M. McInturff, CPA, Executive Director
Washington State Board of Accountancy
PO Box 9131
Olympia, WA 98507-9131
FAX (360) 664-9190 By (date) 8/20/01

DATE OF INTENDED ADOPTION: 9/21/01

CODE REVISER USE ONLY

(COMPLETE REVERSE SIDE)

(j) Short explanation of rule, its purpose, and anticipated effects:
See attached.

Does proposal change existing rules? ☒ YES ☐ NO
See attached

If yes, describe changes:

(k) Has a small business economic impact statement been prepared under chapter 19.85 RCW?

☐ Yes. Attach copy of small business economic impact statement.
A copy of the statement may be obtained by writing to:

telephoning: ()

faxing: ()

☒ No. Explain why no statement was prepared
The proposed rule will not have more than minor economic impact on business.

(l) Does RCW 34.05.328 apply to this rule adoption? ☐ Yes ☒ No

Please explain: The Board of Accountancy is not one of the agencies required to submit to the requirements of RCW 34.05.328.

(a) Title of rule:

WAC 4-25-400	What is the authority for and the purpose of the board's rules?
WAC 4-25-410	Definitions
WAC 4-25- 510	What is the Board's meeting schedule and how are officers elected?
WAC 4-25-520	What public records does the board maintain?
WAC 4-25-530	Fees
WAC 4-25-540	What are brief adjudicative proceedings?
WAC 4-25-550	Do I need to notify the board if I change my address?
WAC 4-25-551	Must I respond to inquiries from the board?
WAC 4-25-600 - Repeal	Rules of professional conduct—Preamble
WAC 4-25-610	Principles of conduct.
WAC 4-25-620	When must I comply with the rules of conduct requiring integrity and objectivity?
WAC 4-25-622	Independence.
WAC 4-25-626	What restrictions govern commissions, referral, and contingent fees?
WAC 4-25-630	Competence.
WAC 4-25-631	With which rules, regulations and professional standards must a CPA comply?
WAC 4-25-640	Clients' confidential information.
WAC 4-25-650	Acts discreditable.
WAC 4-25-660	What are the limitations on advertising and other forms of solicitation?
WAC 4-25-661	What firm names must be approved by the board and what firm names are prohibited?
WAC 4-25-710	CPA certificate—Education requirements.
WAC 4-25-720	CPA examination—Application.
WAC 4-25-721	What does the board consider to be cheating on the CPA examination, what actions may the board take if cheating is suspected, and what sanctions may the board impose if cheating occurs?
WAC 4-25-730	What are the experience requirements in order to obtain a CPA license?
WAC 4-25-735	What rules must a certificate-holder comply with and how does a certificate-holder apply for licensure?
WAC 4-25-745	How do I apply for an initial CPA license and/or certificate?
WAC 4-25-746	How do I apply for a Washington state CPA license and/or certificate if I hold a valid CPA certificate, license or permit in another state?
WAC 4-25-750	What are the CPA firm licensing requirements?
WAC 4-25-752 - New	How do I apply to register as a resident non-licensee owner of a licensed firm?
WAC 4-25-755 - Repeal	Temporary permits.
WAC 4-25-756 - New	How do I apply for an initial permit to practice and with which rules must a permit-holder comply?
WAC 4-25-781	What are the rules governing reciprocity for accountants from foreign countries?
WAC 4-25-782	How do I apply for an initial Washington state license and/or certificate through foreign reciprocity?
WAC 4-25-783	How do I renew a Washington CPA certificate and/or license granted through foreign reciprocity?
WAC 4-25-790	How do I renew my CPA license and/or certificate?
WAC 4-25-791	If I hold a certificate under the reasonable cause exemption to the CPE requirements, how do I apply to return to my previous status as a licensee or a certificate holder?
WAC 4-25-792	How do I apply for reinstatement of a lapsed CPA license and/or certificate?
WAC 4-25-793 - New	If I hold a license or a certificate as a retiree, how do I apply to return to my previous status as a licensee or a certificate-holder?
WAC 4-25-795	How do I apply for reinstatement of a revoked or suspended license and/or certificate?

(a) Title of rule (continued):

WAC 4-25-820	Quality assurance review.
WAC 4-25-830	What are the CPE requirements?
WAC 4-25-831	What are the program standards for CPE?
WAC 4-25-832	How do I report my CPE to the board?
WAC 4-25-833	What documentation must I retain to support my eligibility for CPE credits?
WAC 4-25-910	What are the bases for the board to impose discipline?

(b) Statutory authority for adoption and Statute being implemented:

	(b) Statutory authority for adoption	Statute being implemented:
WAC 4-25-400 and 410	RCW 18.04.055	RCW 18.04.055(16)
WAC 4-25- 510	RCW 18.04.055 and RCW 42.30.070	RCW 42.30.070
WAC 4-25-520	RCW 18.04.055 and RCW 42.17.260	RCW 42.17.260
WAC 4-25-530	RCW 18.04.055; 18.04.065; 18.04.105(3); 18.04.195(7); 18.04.205(4); 18.04.215(8); and 18.04.350(2)	RCW 18.04.055; 18.04.065; 18.04.105(3); 18.04.195(7); 18.04.205(4); 18.04.215(8); and 18.04.350(2)
WAC 4-25-540	RCW 18.04.055(1); RCW 34.05.220; and RCW 34.05.482	RCW 18.04.055(1) and RCW 34.05.482
WAC 4-25-550 and 551	RCW 18.04.055(16)	RCW 18.04.055(16)
WAC 4-25-600; 610; 620; 622; 626; 630; 631; 640; 650; and 660	RCW 18.04.055(2)	RCW 18.04.055(2)
WAC 4-25-661	RCW 18.04.055(8)	RCW 18.04.055(8)
WAC 4-25-710	RCW 18.04.055(5) and RCW 18.04.105(1)	RCW 18.04.055(5) and RCW 18.04.105(1)
WAC 4-25-720	RCW 18.04.055(5) and RCW 18.04.105(2)	RCW 18.04.055(5) and RCW 18.04.105(2)
WAC 4-25-721	RCW 18.04.055	RCW 18.04.055
WAC 4-25-730	RCW 18.04.055(11) and 18.04.105(1)(d)	RCW 18.04.055(11) and 18.04.105(1)(d)
WAC 4-25-735	RCW 18.04.055(12) and 18.04.105(4)	RCW 18.04.055(12) and 18.04.105(4)
WAC 4-25-745	RCW 18.04.055; 18.04.105(1); and 18.04.215(1)	RCW 18.04.055; 18.04.105(1); and 18.04.215(1)
WAC 4-25-746	RCW 18.04.180 and 18.04.215(6)	RCW 18.04.180 and 18.04.215(6)
WAC 4-25-750	RCW 18.04.055(8); 18.04.195; and 18.04.205	RCW 18.04.055(8); 18.04.195; and 18.04.205
WAC 4-25-752	RCW 18.04.055(13) and 18.04.195(8)	RCW 18.04.055(13) and 18.04.195(8)
WAC 4-25-755	RCW 18.04.055 and 18.04.350(2)	RCW 18.04.055 and 18.04.350(2)
WAC 4-25-756	RCW 18.04.350(2)	RCW 18.04.350(2)
WAC 4-25-781 and 782	RCW 18.04.183	RCW 18.04.183
WAC 4-25-783	RCW 18.04.183 and 18.04.215(2)	RCW 18.04.183 and 18.04.215(2)
WAC 4-25-790; 791; and 792	RCW 18.04.215(2) and (4)	RCW 18.04.215(2) and (4)
WAC 4-25-793	RCW 18.04.215(7)	RCW 18.04.215(7)
WAC 4-25-795	RCW 18.04.215(2); 18.04.335; and 34.05.220	RCW 18.04.215(2); 18.04.335; and 34.05.220
WAC 4-25-820	RCW 18.04.055(9)	RCW 18.04.055(9)
WAC 4-25-830; 831; 832; and 833	RCW 18.04.055(7); 18.04.215(5)	RCW 18.04.055(7); 18.04.215(5)
WAC 4-25-910	RCW 18.04.055(11); 18.04.295; and 18.04.305	RCW 18.04.055(11); 18.04.295; and 18.04.305

(c) Summary: The amendments and new rules include public protection provisions, qualifications to be a licensee, regulation of certified public accountants (CPAs); ownership of CPA firms; assurance that CPAs from Washington state are substantially equivalent with CPAs in other states; assurance that CPAs from other states and countries have met qualifications that are substantially equivalent to the CPA qualifications of this state; and regulation of the activities of persons holding licenses, certificates (including a new inactive certificate-holder status), and non-CPA owners of CPA firms.

Reasons supporting proposal continued:

The changes to fees: (1) The Board currently has approximately a \$900,000 fund balance. Without a significant increase in fees, within the next two years the fund balance will be substantially depleted and the agency will need to begin cutting activities (consumer alerts, investigations). If activities are not cut, by the end of next biennium the agency would have a deficit fund balance position. The Board needs to maintain an adequate fund balance to:

- Provide adequate reserves for emergency appropriation requests
- Pay for extensive or costly investigations and enforcement or defense issues requiring significant attorney general costs
- Cover unanticipated litigation costs ordered by a court
- Compensate for an unanticipated or sudden drop in the number of licensees

(2) The new statute gives the Board a two-year exemption to the provisions of Initiative 601 (the fiscal growth factor); however, the fee increases approximate the amount allowable if the Board had increased fees annually pursuant to the limit of Initiative 601.

(j) Short explanation of rule, its purpose, and anticipated effects:

The Board's goal with all of its rule proposals is to:

- Promote clarity
- Ensure effective communication
- Ensure fairness in interpretation and application of the rules
- Promote efficiencies through minimizing gray areas

Specifically:

WAC 4-25-400	Advises the reader of the authority given to the Board by the legislature through chapter 18.04 RCW (The Public Accountancy Act). This authority includes the enactment of rules. This rule is a preamble to those rules and lists the general subjects included in chapter 4-25 WAC.
WAC 4-25-410	Defines terms used throughout the Board's rules to provide clarity for users.
WAC 4-25- 510	Advises the public of: <ul style="list-style-type: none"> (1) the dates and times the Board will hold its regular and annual meetings (2) the election of officers at the annual meeting (3) when the newly elected officers will assume their duties (4) who has the authority to call meetings of the Board (5) the Board's compliance with the Administrative Procedure Act
WAC 4-25-520	Notifies the public of the records available for inspection and copying for informational purposes
WAC 4-25-530	RCW 18.04.065 directs the Board to "set its fees at a level adequate to pay the costs of administering this chapter" (that is, chapter 18.04 RCW, the Accountancy Act).
WAC 4-25-540	Chapter 34.05 RCW (Administrative Procedure Act) allows agencies to adopt brief adjudicative proceedings to resolve some limited administrative issues. The Board uses brief adjudicative proceedings to provide a clear process to persons to appeal staff actions denying applications.
WAC 4-25-550	WAC 4-25-550 requires CPAs, CPA firms, and resident nonlicensee firm owners to notify the agency of any change in address. With a current address on file, the agency will be able to contact the CPA, CPA firm, or resident nonlicensee firm owner for regulatory purposes.

WAC 4-25-551	Requires CPAs, CPA firms, and resident nonlicensee firm owners to respond to a Board inquiry in writing within 20 days of the date the inquiry is posted in the U.S. mail. With cooperation from the CPAs, CPA firms, and resident nonlicensee firm owners the Board can effectively administer RCW 18.04.
WAC 4-25-600 - Repeal	The rule is too vague to be enforceable therefore this rule is recommended for repeal.
WAC 4-25-610, 620, 622, 630, 631, 650	Advises Washington CPAs of the standards of conduct and when they must comply with these standards. These standards are needed to establish and maintain high standards of competence and ethics to address the need to protect the public.
WAC 4-25-626	In order to protect the public interest, this rule prohibits licensees from being compensated in a manner which tends to bias or give the appearance of tending to bias the results of their attest services. However, to permit Washington CPAs to practice public accounting on a level playing field with other CPAs nationwide, this rule is aligned with the Uniform Accountancy Act (UAA), to follow the national trend of allowing compensation in the form of commissions, referral fees, and contingent fees, and to address the profession's desire to allow commissions and contingent fees with disclosure. In order to ensure the public is sufficiently informed the rule requires all CPAs accepting commissions, referral fees, and contingent fees to disclose in writing and in advance of client acceptance the method of calculating the fee and the CPA's role as the client's advisor.
WAC 4-25-640	Incorporates parts of statute (RCW 18.04.390 and 405) into the Boards rules of professional conduct. The rule prohibits Washington CPAs from disclosing any confidential client information without the consent of the client; clarifies when the rule does not affect a CPA's disclosure of client information, and outlines a CPA's obligations with respect to the records of a client in a clear format. This standard of professional conduct is needed to protect the public by ensuring privacy and record accessibility.
WAC 4-25-660	"Advertising and other forms of solicitation" is a rule of professional conduct necessary to establish and maintain high standards of competence and ethics of certified public accountants (CPAs) to protect the public interest especially in the area of advertising and solicitation.
WAC 4-25-661	"Improper firm names" is a rule of professional conduct necessary to govern sole proprietors, partnerships, and corporations practicing public accounting concerning their names to protect the public from being misled
WAC 4-25-710	Outlines the educational requirements for individuals to qualify to apply for the CPA examination and ultimately the CPA license, including requirements regarding education obtained outside of the United States, accreditation standards, and an alternative to accreditation. Candidates for the CPA exam need clear concise requirements to ensure fair treatment of all candidates. Ensures candidates will have the necessary foundation and obtain acceptable competence in an increasingly complex business environment to eventually become a licensed CPA. This rule continues to be aligned with the Uniform Accountancy Act (UAA) therefore assuring that Washington CPAs are substantially equivalent with CPAs in other states.
WAC 4-25-720	Outlines the requirements for individuals making application for the CPA exam such as how to file an application, the application due date, timing for completion and documentation of the education requirements, when exam admission notices will be mailed, the passing grade, conditional credit, proctoring, and the completion of an ethics exam.
WAC 4-25-721	This rule provides CPA exam candidates with a listing of what the Board considers to be cheating, what actions the Board may take if cheating is suspected, and what sanctions the Board may impose if cheating occurs.
WAC 4-25-730	Licensed CPAs are statutorily given the exclusive right to perform audit, review, and compilation services. In exchange for this valuable right, CPAs are expected to have a certain level of mature expertise prior to offering unsupervised services to the general public. Washington state statute mandates that CPAs demonstrate one year of public accounting experience and meeting competency requirements. The profession and the public expect CPAs to have a focused, relevant and meaningful apprenticeship period to perfect skills and abilities.
WAC 4-25-735	Establishes the requirements for certificate holders to qualify and apply for a license

WAC 4-25-745	Sets forth the procedures applicants for an initial license must follow in a short clear manner; notifies the applicant of the Board's definition of a "complete" application and where the Board will send notification when the application is complete; sets the expiration of the license on June 30 of the third calendar year following initial licensure; notifies applicants of the prohibition against using the CPA title by persons not properly licensed.
WAC 4-25-746	Sets the procedures applicants for a Washington CPA license by reciprocity must follow in a short clear manner; notifies the applicant of the Board's definition of a "complete" application and where the Board will send notification when the application is complete; sets the expiration of the license certificate on June 30 of the third calendar year following licensure in Washington state; restates RCW 18.04.215(6) that allows CPAs licensed in another state to practice in Washington State from the date of filing a "complete" application with the Board.
WAC 4-25-750	RCW 18.04.205(3) directs the Board to prescribe the procedures to be followed to register and maintain offices established for the practice of public accounting in Washington state. RCW 18.04.195 requires CPA firms to obtain, and renew, licenses to practice public accounting.
WAC 4-25-752 New	Establishes the requirements for resident non-licensee owner applying to be a registered non-licensee owner and defined which rules the non-licensee owner must comply with.
WAC 4-25-755 Repeal	Due to changes in statute incidental practice is no longer permitted making this rule obsolete.
WAC 4-25-756 - New	Establishes the requirements for individuals, whose principal place of business is not in Washington, to apply for the privilege to practice in Washington state
WAC 4-25-781, 782 and 783	RCW 18.04.183 directs the Board to grant a license as a CPA to a holder of a permit, license, or certificate issued by a foreign country's board, agency or institute. The rule implements the statute listing the qualifications the Board will accept before issuing an initial CPA license to an accountant from a foreign country, the requirements for renewal, and the procedures the Board will take to investigate and discipline CPAs licensed based in part on a foreign accounting credential.
WAC 4-25-790	Sets the procedures for the renewal of a certificate/license/permit/resident nonlicensee firm owner registration in a short clear manner eliminating confusion; notifies the applicant that the Board will send a renewal application in January to the last address the CPA provided to the Board; Notifies the applicant of the Board's definition of a "complete" application and the due date for filing; sets the expiration of the certificate/license/permit/resident nonlicensee firm owner registration to June 30 of the third calendar year following the renewal; notifies the applicant that failure to file a complete application by the due date will result in late fees; notifies the applicant that failure to file a complete application prior to the expiration of their certificate/license/permit/resident nonlicensee firm owner registration will result in the lapse of their certificate/license and loss of the right to use the CPA title or be a owner of a CPA firm
WAC 4-25-791	Sets the procedures CPAs must follow to return to a previous status as a licensee
WAC 4-25-792	In a short, clear manner that eliminates confusion, this rule sets the procedures CPAs must follow to apply for the reinstatement of their lapsed license and/or certificate.
WAC 4-25-793 - New	Establishes the process for a retiree to 're-activate' their certificate or license
WAC 4-25-795	Sets the procedures persons or firms whose certificate/license/permit/resident nonlicensee firm owner registration has been revoked or suspended must follow in order to apply for modification of a suspension or revocation order or to apply for reinstatement.
WAC 4-25-820	In order to protect the public from financial information that does not meet set standards, this rule establishes the process of monitoring the attest work of licensees (including CPA firms). CPA firms offering attest (audit, review, or compilation) services must comply with set standards. Every three years the CPA firm must either submit reports to financial statements for Board review or demonstrate participation in a Board approved peer review program. Set the actions the Board may take it if it is determined that a report is substandard or seriously questionable with respect to applicable professional standards.
WAC 4-25-830	RCW 18.04.215(5) authorizes the Board to set the rules for continuing professional education to maintain or improve the professional competency of licenses, certificateholders, and resident nonlicensee firm owners as a condition to maintaining their certificate/license/permit/resident nonlicensee firm owner registration; accomplishes a heightened awareness of the Board's rules, especially as they pertain to ethics, through required continuing professional education

WAC 4-25-831	Outlines the standards Continuing Professional Education (CPE) courses must meet.
WAC 4-25-832	Outlines how certificateholders/licensee/permitholders/resident nonlicensee firm owners report their completed CPE to the Board
WAC 4-25-833	Notifies certificateholders/licensee/permitholders/resident nonlicensee firm owners that they are responsible for documenting their entitlement of CPE credit claimed and what the Board will accept as documentation
WAC 4-25-910	RCW 18.04.295 and 18.04.305 authorize the Board to impose discipline against Washington CPAs, CPA firms, permitholders, or resident nonlicensee firm owners. Using the clear rule writing technique that eliminates confusion, this rule lists specific examples of prohibited acts that constitute grounds for discipline.

(j) Does proposal change existing rules? Yes If yes describe changes:

WAC 4-25-400	<ul style="list-style-type: none"> • Adds firm owners to the description of the Board's authority • Adds five bulleted items to the description of the purpose of the Act. The additional language paraphrases revisions to the 'purpose' section of the statute. • Clarifies the listing of the subject areas addressed by the Board's rules to include permits, registration of resident nonlicensee firm owners, etc.
WAC 4-25-410	<ul style="list-style-type: none"> • Adds the definition of "Active individual participant." • Adds the definition of "Affiliated entity." Having the definition align with (anticipated) national standards will support an understanding of, and compliance with, the Board's rule. • Removes ambiguous language from the definition of "Attest" services. • Adds permit-holders to the listing of individuals permitted to perform attest services. • Aligns the definition of "Certificate" to the new statute. • Adds the definition of "Certificate-holder" from the new statute. • Adds relationships with firm owners, affiliated entities, and owners of affiliated entities to circumstances creating a "Client." • Adds the CPA's firm, CPA firms and firm owners to the criteria defining a "Commission." • Includes permit holders in the definition of "CPA" and reworded the definition to clarify that under the new Act licensees no longer hold a certificate (they hold just a license). • Adds the notion that CPA firms and firm owners (in addition to CPAs) perform professional services for "Enterprises." • Aligns the definition of "Firm" with the Act. • Establishes the meaning of "Firm owner" because that term is used in the rules. • Adds permit holders to the definition of whom may practice public accounting under the definition of "Holding out." • Adds the definition of "Inactive" from the new statute and added clarifying language that certificate-holders cannot hold out. • Adds the definition of "License" (note the definition refers to both an individual and a firm license). • Clarifies that both a natural person and a firm can be a "Licensee." • Adds the definition of "Manager" because the term is used in the rules. • Adds the abbreviation for National Association of State Boards of Accountancy • Adds the definition of "Natural person" because the term is used in the rules (referring to non-licensee firm owners). • Adds the definition of "Non-licensee Owner" because the term is used in the rules. • Moves the definition of "Quality Review" to "Peer Review" to reflect verbiage changes resulting from the new statute. • Adds the definition of "Permit," "Permit to Practice" and "Permit-holder" because the terms are used in the rule. • Adds the definition of "Principal place of business" because the term is used in the rules. • Adds the definition of "Representing oneself" because the term is used in the rules. • Adds the definition of "State" because the term is used in the rules.

WAC 4-25- 510	Increased the number of Board members to nine to align the rule with changes in the Act.
WAC 4-25-520	Due to provisions in the new Act, the Board will maintain public records on permit-holders and registered resident non-licensee firm owners.
WAC 4-25-530	<ul style="list-style-type: none"> Adjusts fees to reflect the need to increase agency revenues to cover (a) the agency's increased spending authority resulting from the new statute and (b) the anticipated reduction in revenue from: <ul style="list-style-type: none"> a reduction in new applicants, particularly from foreign candidates, because the board will no longer be issuing certificates; a one-time significant reduction during the initial transition period, because new applicants will need to acquire a year of experience prior to licensure of any kind; An initial reduction in the number of renewals because some certificate-holders will elect to allow their certificate to lapse rather than either using the title CPA-Inactive, or obtaining the experience and paying a higher licensing fee. a reduction in total renewals due to the above Increases exam fees to reflect the increase in the AICPA's charges for the examination. Aligns certificateholder, licensee, permit-holder and firm owner application and renewal fees so that each CPA and CPA firm owner in Washington state contributes equally to paying for the regulation of public accountancy in Washington state. Additionally, parity among the fees establishes a fair and equitable charge for the cost of regulating accountancy in Washington state. The agency will perform basically the same administrative activities for licensees, certificate-holders, permit-holders and firm owners. All individuals and within these four regulated groups come under the Board's enforcement authority and action. Reinstatement fee and late fee were both adjusted to reflect the workload involved QAR fee adjusted to reflect anticipated increase in number of field reviews performed (increase would cover cost of field review for all firms identified as performing substandard work) Fees were adjusted to cover an anticipated need for increased funding to cover investigation and enforcement costs because (a) within the last six months the number of investigations has dramatically increased (33 total investigations during 2000; 33 investigations to date in 2001)--the trend is expected to continue and (b) the consumer alert/public awareness program that is just beginning is anticipated to trigger a significant increase in complaints and investigations
WAC 4-25-540	<ul style="list-style-type: none"> Added the provision that the board's procedures are governed by the uniform procedural rules codified in WAC 10-08. (Based on the Prosecuting Attorney General's recommendation.) Added the new types of applications (resulting from the new act) that will come under the BAP provisions. Separated the language for certificate applications, renewals, and reinstatements from the language for license applications, renewals, and reinstatements. (Under the old law licensees held both a certificate and a license; under the new law licensees will only hold a license.)
WAC 4-25-550	Added non-licensees firm owners to the rules requiring notification of address changes. Note: licensees, certificate-holders and permit-holders are included in the definition of CPA.
WAC 4-25-551	Added non-licensee firm owners to the rules requiring a written response to board inquiry. Note: licensees, permit-holders and certificate-holders are included in the definition of CPA.
WAC 4-25-600 Repeal	Based on the Board's April 26, 2001 decision that the rule was too vague to be enforceable this rule is recommended for repeal.
WAC 4-25-610	<ul style="list-style-type: none"> Adds that non-licensee firm owners must comply with the principles of conduct. Note: licensees, certificate-holders and permit-holders are included in the definition of CPA. Clarifies that CPA firms must comply with the principles. To clarify the current requirements, changes the words "shall" to "must."

WAC 4-25-620	<ul style="list-style-type: none"> • Adds that non-licensee firm owners must comply with requirements concerning integrity and objectivity. Note: licensees, certificate-holders and permit-holders are included in the definition of CPA. • Clarifies that CPA firms must comply with the rule. • To clarify the current requirements, changes the words "shall" to "must."
WAC 4-25-622	<ul style="list-style-type: none"> • Adds non-licensee firm owners, affiliated entities, and owners of affiliated entities to the example of relationships that impair independence. • Clarifies that CPA firms must comply with the rule. • Changes all references to "CPA" to "licensee" making this rule applicable to licensed CPAs, CPA firms and permit holders. Excludes certificate-holders from the provisions of this rule by using the term "licensee" • To clarify the current requirements, changes the words "shall" to "must."
WAC 4-25-626	<ul style="list-style-type: none"> • Adds non-licensee firm owners, affiliated entities, and owners of affiliated entities to the example of relationships that result in a prohibition against accepting a commission/referral/contingent fee • Removes the definition of contingent fee because it was added to WAC 4-25-410-Definitions. • To clarify the current requirements, changes the words "shall" to "must."
WAC 4-25-630	<ul style="list-style-type: none"> • Adds non-licensee firm owners to the requirement to be competent. • Clarifies that CPA firms must meet the competency requirement. • To clarify the current requirements, changes the words "shall" to "must."
WAC 4-25-631	<ul style="list-style-type: none"> • Adds non-licensee firm owners to the requirement to comply with standards. • Clarifies that CPA firms must comply with standards • The term "CPA" includes licensees, certificateholders, and permit-holders. • Removes the language "including subsequent amendments" language which makes the rule too vague and could make the rule difficult to enforce • Clarifies the current requirement that CPA firms and CPAs must comply with rules and regulations promulgated by the SEC.
WAC 4-25-640	<ul style="list-style-type: none"> • Moves the definition of client to the first paragraph and made it applicable to the entire rule. • Adds firm owners to those required to comply with the rule. • Changes all references to "CPA" to "licensee" making this rule applicable to licensed CPAs, CPA firms and permit holders. Excludes certificateholders from the provisions of this rule by using the term "licensee" • To clarify the current requirements, changes the words "shall" to "must."
WAC 4-25-650	<ul style="list-style-type: none"> • Adds firm owners. • Clarifies that CPA firms must comply with this rule. • To clarify the current requirements, changes the words "shall" to "must."
WAC 4-25-660	<ul style="list-style-type: none"> • Adds firm owners to those that must comply with the rule. • Corrects language by tying the notification requirement to a "web site" rather than "internet site." • Adds the requirement that CPA firms must place notification of holding a Washington state license on their web site. • Adds the requirement that certificate-holders using the CPA title must state on their web site that they are an "Inactive CPA," that they do not hold a license to practice public accounting, and they cannot offer accounting, attest, tax services, etc. • Adds the requirement that firm owners must disclose on their web site that they are either licensed or registered (non-licensee owners) with the Board • To clarify the current requirements, changes the words "shall" to "must."

WAC 4-25-661	<ul style="list-style-type: none"> • Consistent with changes in statute, eliminates the prohibition against using "& Associates" unless there is more than one CPA at the firm • Adds language prohibiting specialty designations, educational attainments, etc., that are not supported in fact • Adds language from the new statute prohibiting licensees from operating under an alias or DBA. • To clarify the current requirements, changes the words "shall" to "must."
WAC 4-25-710	<ul style="list-style-type: none"> • Eliminates the pre-July 1, 2000 education requirement. • Moves the definition of "accounting concentration" to the "Education requirements" sections.
WAC 4-25-720	<ul style="list-style-type: none"> • Eliminates the statement that the Board will refund a portion of examination fees because refunds are made by the contractor • Incorporates the exam conditioning requirements into the rule (The conditioning requirements were eliminated from statute. Note, this revision does not change the conditioning requirements it simply places the existing requirements into the rule.) • Clarifies the current ethics examination requirements. • Clarifies the current requirement for candidates to complete a form in order to utilize the 120-day provision.
WAC 4-25-721	<ul style="list-style-type: none"> • Adds that cheating on the CPA exam demonstrates a lack of good character. This ties directly to the requirements for licensure in the statute • Removes fines and cost recovery from the list of sanctions the Board may impose on candidates for the CPA license
WAC 4-25-730	<ul style="list-style-type: none"> • Adds the provision in the new statute allowing individuals holding a certificate at June 30, 2001, and applying for licensure before June 30, 2004, to use any prior experience • Adds verbiage from the statute regarding the specific types of services that must be performed to meet the experience requirement. • Adds the new statutory provision that all certificate-holders must obtained 120 hours of CPE within the previous 3 years in order to apply for a licensee. • Eliminates the previous subsection (4) requiring individuals holding a certificate for 4 or more years to obtain 120 hours of CPE to qualify for licensure (superseded by the new requirement that all certificate-holders must meet the 120 CPE hour requirement for licensure)
WAC 4-25-745	<ul style="list-style-type: none"> • Eliminated the ability to apply for a certificate • Listed in the rule the requirements for licensure • Adjusted the definition of what services must be performed in a CPA firm to align with the new statute. • Eliminated the requirement to have a notarized signature
WAC 4-25-746	<ul style="list-style-type: none"> • Added the requirement (from statute) that the other state of licensure must grant reciprocity provisions to Washington's CPAs. • Clarified the requirements for licensure as stated in statute • Added the notation that a CPA may practice as soon as the license application is filed with the board • Added the notation that individuals obtaining a Washington license via interstate reciprocity must notify the Board within 30 days if the license issued by the other jurisdictions has lapsed or become invalid • Eliminated the requirement to have a notarized signature.
WAC 4-25-750	<ul style="list-style-type: none"> • Added the provision (from statute) allowing for non-licensee owners. • Added the requirement (from statute) for the principal partner and the principal manager to be licensee. • Added the requirements (from statute) for a non-licensee owner to be a natural person, meet good character requirements, comply with board rules, and be an active participant in the firm or affiliated entity • Added the requirement for a resident non-licensee owner to register with the Board • Clarified what is considered an amendment.

WAC 4-25-755 Repeal	Due to changes in statute incidental practice is no longer permitted making this rule obsolete.
WAC 4-25-781	Adds the notification requirements from statute
WAC 4-25-782	<ul style="list-style-type: none"> Clarifies that the CPA may only practice in Washington state upon receiving their Washington state license. Eliminates the requirement to have a notarized signature
WAC 4-25-783	<ul style="list-style-type: none"> Identifies that a renewal form will be mailed to the CPA. Clarifies that in order to renew the individual must certify that s/he complied with the Board's CPE requirements
WAC 4-25-790	<ul style="list-style-type: none"> Adds renewing permits and resident non-licensee owner registrations to the "how do I renew" rule Clarifies that a licensee may not renew as a certificate-holder Clarifies that in order to renew the individual must certify that they met the Board's CPE requirements
WAC 4-25-791	Tailors this rule so that it applies to certificate-holders who want to return to their previous status as a licensee
WAC 4-25-792	Extends the reinstatement rule to include permits and resident non-licensee owner registrations
WAC 4-25-795	Extends the reinstatement of a revoked or suspended license or certificate to include permits and resident non-licensee owner registrations
WAC 4-25-820	Adds that a firm required to submit to peer review may be assessed the cost of the peer review
WAC 4-25-830	<ul style="list-style-type: none"> Changes the CPE requirement for certificate-holders to a 4-hour course in ethics every 3 years. Adds the CPE requirement for resident nonlicensee firm owners to obtain a 4-hour course in ethics every 3 years Adds that permit-holders are exempt from the CPE requirements. Changed the title "Reasonable cause exemption" to "Renewal following retirement" consistent with changes in statute Consistent with the new statute, requires certificateholders applying for a license to obtain 120 hours of CPE including a 4-hour course in ethics and limited to 24 hours in nontechnical subjects Adds resident non-licensee firm owners to the provisions allowing for a CPE extension request
WAC 4-25-831	<ul style="list-style-type: none"> Moves negotiation and dispute resolution to technical subjects (based on multiple comments from CPAs) Adds the provision for allowing CPE to be earned in ½ hour increment after the first full hour has been earned Adds a provision and clarification regarding credential examinations
WAC 4-25-832	Adds provisions for non-licensee owners
WAC 4-25-833	<ul style="list-style-type: none"> Adds the requirement for the attendee's name to be on the certificate of completion. Changes the record retention requirement for CPE supporting documentation from five years after the completion of the course to three years after the end of the CPE reporting period
WAC 4-25-910	<ul style="list-style-type: none"> Adds the new provisions (from the new statute) pertaining to permit holders, non-licensee firm owners, full restitution, and fines (up to \$10,000). Adds failure to comply with an order of the Board as a prohibited act

(h) Additional Hearing Dates/Locations

September 11, 2001
Heathman Lodge
7801 NE Greenwood Drive
Vancouver, Washington 98662
Time: 9:00 a.m.

September 21, 2001
Doubletree Hotel - Spokane City Center
322 North Spokane Falls Court
Spokane, WA 99201
Time: 9:00 a.m.

AMENDATORY SECTION (Amending WSR 00-11-067, filed 5/15/00, effective 6/30/00)

WAC 4-25-400 What is the authority for and the purpose of the board's rules? The Public Accountancy Act (Act), chapter 18.04 RCW, establishes the board as the licensing and disciplinary agency for certified public accountants (CPA) ~~((and))~~, CPA firms, and owners of CPA firms. The Act authorizes the board to promulgate rules to carry out the purpose of the Act, which include:

- Protecting the public interest; ~~((and))~~
- Enhancing the reliability of information used for guidance in financial transactions or for accounting for or assessing financial status or performance;
- Establishing one set of qualifications to be a licensee;
- Assuring that CPAs practicing in Washington have substantially equivalent qualifications to those practicing in other states;
- Regulating ownership of CPA firms;
- Publishing consumer alerts and public protection information regarding persons and firms who violate the Act or board rules;
and
- Providing general consumer protection information to the public.

The board's rules, contained in chapter 4-25 WAC, encompass these subjects:

- Definitions;
- Administration of the board;
- Ethics and prohibited practices;
- ~~((Certifying and licensing))~~ Entry and renewal requirements;
- Continuing competency; and
- Regulation and enforcement.

AMENDATORY SECTION (Amending WSR 01-11-124, filed 5/22/01, effective 6/30/01)

WAC 4-25-410 Definitions. For purposes of these rules the following terms have the meanings indicated unless a different meaning is otherwise clearly provided in these rules:

(1) **"Act"** means the Public Accountancy Act codified as chapter 18.04 RCW.

(2) **"Active individual participant"** means a natural person whose primary occupation is direct control, management, and direction of the licensee or affiliated entity's business, including the selection and supervision of procedures, the reporting of results, the performance of services for clients and participating in its operations to the extent necessary to assure compliance with the Act. An individual whose primary source of income from the business entity is provided as a result of passive investment is not an active individual participant.

(3) **"Affiliated entity"** means any entity, entities or persons that directly or indirectly through one or more relationships influences or controls, is influenced or controlled by, or is under common influence or control with other entities or persons. This definition includes, but is not limited to, parents, subsidiaries, investors or investees, coinvestors, dual employment or management in joint ventures or brother-sister entities.

(4) **"Attest services"** are services performed by a licensee in accordance with:

(a) Statements on Auditing Standards and related Auditing Interpretations issued by the American Institute of Certified Public Accountants (AICPA) ~~((including subsequent amendments))~~;

(b) Statements on Standards for Accounting and Review Services and related Accounting and Review Services Interpretations issued by the AICPA ~~((including subsequent amendments))~~; and

(c) Statements on Standards for Attestation Engagements and related Attestation Engagements Interpretations issued by the AICPA ~~((including subsequent amendments))~~.

~~((+3))~~ (5) **"Audit," "review," and "compilation"** are terms reserved for use by licensees and permit holders under the Act.

~~((+4))~~ (6) **"Board"** means the board of accountancy created by RCW 18.04.035.

~~((+5))~~ (7) **"Certificate"** means a certificate as a ~~((certified public accountant))~~ CPA issued under the Act ~~((, or a corresponding certificate issued by another state or foreign jurisdiction that is recognized in accordance with the reciprocity provisions of the act))~~ prior to July 1, 2001.

~~((+6+))~~ (8) **"Certificateholder"** means a person who held a valid certificate on July 1, 2001, but did not hold a valid Washington state license to practice public accounting on that date.

(9) **"Client"** means the person or entity that retains a ~~((certified public accountant (CPA), or the))~~ CPA ~~((+s))~~ firm ~~((or organization))~~, a CPA, the CPA's firm, or a firm owner, an affiliated entity, or the owner of an affiliated entity through other than an employer/employee relationship.

~~((+7+))~~ (10) **"Commissions and referral fees"** are compensation arrangements where:

(a) The primary contractual relationship for the product or service is not between the client and the CPA firm, the CPA, the CPA's firm, or a firm owner;

(b) The CPA firm, the CPA, the CPA's firm, or a firm owner is not primarily responsible to the client for the performance or reliability of the product or service;

(c) The CPA firm, the CPA, the CPA's firm, or a firm owner adds no significant value to the product or service; or

(d) A third party instead of the client pays the CPA firm, the CPA, the CPA's firm, or a firm owner for the products or services.

~~((+8+))~~ (11) **"Contingent fees"** are fees established for the performance of any service pursuant to an arrangement in which no fee will be charged unless a specified finding or result is attained, or in which the amount of the fee is otherwise dependent upon the finding or result of such service.

~~((+9+))~~ (12) **"CPA"** or **"certified public accountant"** means a person holding a CPA certificate ~~((under this act))~~ or a CPA license including a person holding a permit to practice pursuant to RCW 18.04.350(2).

~~((+10+))~~ (13) **"CPA-Inactive"** means the person was issued a certificate under the Act prior to July 1, 2001, but has not met the current requirements for a license and does not practice public accounting.

(14) **"CPE"** means continuing professional education (see also "Interactive ~~((CPE))~~ self-study program").

~~((+11+))~~ (15) **"Enterprise"** means any person or entity, whether organized for profit or not, with respect to which a CPA firm, a CPA, a CPA's firm, or a firm owner performs professional services.

~~((+12+))~~ (16) **"Firm"** means ~~((an entity licensed under the provisions of this chapter))~~ a limited liability company formed under chapter 25.15 RCW, a sole proprietorship, a corporation, or a partnership.

~~((+13+))~~ (17) **"Firm owner"** means a licensee or nonlicensee owner of a firm licensed by the board.

(18) **"Generally accepted accounting principles"** (GAAP) is an accounting term that encompasses the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. It includes not only broad guidelines of

general application, but also detailed practices and procedures. Those conventions, rules, and procedures provide a standard by which to measure financial presentations.

~~((+14+))~~ (19) "Generally accepted auditing standards" (GAAS) are guidelines and procedures, promulgated by the AICPA, for conducting individual audits of historical financial statements.

~~((+15+))~~ (20) "Holding out" means any representation to the public by the use of restricted titles as set forth in the Act by a person or firm that the person or firm ~~((is a certified public accountant))~~ holds a license or a permit under the Act and that the person or firm offers to perform any professional services to the public as a ~~((certified public accountant))~~ licensee or a permit holder. "Holding out" shall not affect ~~((or limit a person not required to hold a certificate under this chapter or))~~ a person or firm not required to hold a license or a permit under ~~((this chapter))~~ the Act from engaging in practices identified in the Act.

~~((+16+))~~ (21) "Inactive" means the certificate is in an inactive status because the individual, who held a certificate before July 1, 2001, has not met the current requirements for licensure. Individuals holding an inactive certificate may not practice public accounting.

(22) "Interactive self-study program" means a CPE program designed to use learning methodologies that simulate a classroom learning process by employing software or administrative systems that provide significant ongoing interactive feedback to learners regarding their learning progress.

~~((+17+))~~ (23) "License" means the holder of a license to practice public accounting issued to an individual or a firm under the Act.

(24) "Licensee" means ~~((the holder of a valid))~~ a natural person or a firm holding a license issued under the provisions of ~~((this))~~ the Act.

~~((+18+))~~ (25) "Manager" means a manager of a limited liability company licensed as a firm under the Act.

(26) "NASBA" means the National Association of State Boards of Accountancy.

(27) "Natural person" means a living, human being.

(28) "Nonlicensee owner" means a CPA firm owner who is not licensed in any state to practice public accountancy.

(29) "Peer review" means a study, appraisal, or review of one or more aspects of the attest work of a licensee, by a licensee(s) who is not affiliated with the licensee reviewed, including any internal review or inspection intended to comply with quality control policies and procedures but not including a "quality assurance review."

(30) "Permit," "permit to practice" or "permitholder" means the individual holding the permit:

- Has a principal place of business outside of Washington state;
- Is licensed to practice public accounting in another state;

- Has been granted by the board privileges to practice public accountancy in Washington state under the authority of RCW 18.04.350(2); and

- Must comply with the Act and all board rules applicable to Washington state licensees.

(31) "Principal place of business" means a single fixed location designated by the individual from which the individual directs, controls, and coordinates the majority of his or her business activities.

(32) "Public practice" or the "practice of public accounting" means performing or offering to perform by a person or firm holding out to the public as a licensee, for a client or potential client, one or more kinds of services involving the use of accounting or auditing skills, including the issuance of "audit reports," "review reports," "compilation reports," or "attestation reports" on financial statements, or one or more kinds of management advisory, or consulting services, or the preparation of tax returns, or the furnishing of advice on tax matters.

((+19+)) (33) "Quality assurance review or QAR" ((+QAR+)) is the process, established by and conducted at the direction of the board, of study, appraisal, or review of one or more aspects of the ((professional)) attest work of a licensee ((or firm)), by a licensee(s) who is not affiliated with the licensee ((or firm)) being reviewed.

((+20+)) "Quality review" means a study, appraisal, or review of one or more aspects of the professional work of a licensee or firm, by a licensee(s) who is not affiliated with the licensee or firm being reviewed, including a peer review, or any internal review or inspection intended to comply with quality control policies and procedures but not including a "quality assurance review."

((+21+)) (34) "Reciprocity" means board recognition of licenses, certificates or other professional accounting credentials that the board will rely upon in full or partial satisfaction of ((CPA certification or)) licensing requirements.

((+22+)) (35) "Referral fees" see definition of "commissions and referral fees" in subsection ((+7+)) (10) of this section.

((+23+)) (36) "Reports on financial statements" means any reports or opinions prepared by licensees, based on services performed in accordance with generally accepted auditing standards, standards for attestation engagements, or standards for accounting and review services, as to whether the presentation of information used for guidance in financial transactions or for accounting for or assessing the status or performance of commercial and noncommercial enterprises, whether public, private, or governmental, conforms with generally accepted accounting principles or other comprehensive bases of accounting. The term does not include:

(a) Incidental financial data included in management advisory services reports to support recommendations to a client; or

(b) Services referenced in the Act which may be provided by persons not holding a license.

~~((+24+))~~ (37) "Representing oneself" for the purposes of RCW 18.04.295(2) means holding a license, permit, certificate or registration that entitles the holder to use the title CPA, CPA-Inactive, or be a nonlicensee firm owner.

(38) "Rules of professional conduct" means ((principles and)) rules adopted by the board to govern the conduct of CPAs and CPA firms while representing themselves to others as CPAs. ((The)) These rules ((apply to)) also govern the conduct of nonlicensee firm owners and all persons using the ((CPA)) title CPA or CPA-Inactive.

~~((+25+))~~ (39) "State" includes the states and territories of the United States, including the District of Columbia, Puerto Rico, Guam, and the United States Virgin Islands.

(40) "Statements on standards for accounting and review services" (SSARS) are standards, promulgated by the AICPA, to give guidance to licensees who are associated with the financial statements of nonpublic companies and issue compilation or review reports.

~~((+26+))~~ (41) "Statements on standards for attestation engagements (SSAE)" are guidelines, promulgated by the AICPA, for use by licensees in attesting to assertions involving matters other than historical financial statements and for which no other standards exist.

AMENDATORY SECTION (Amending WSR 00-11-068, filed 5/15/00, effective 6/30/00)

WAC 4-25-510 What is the board's meeting schedule and how are officers elected? Regular board meetings begin at 9:00 a.m. on the last Friday of the month in the months of January, April, July and October. The board holds an annual meeting beginning at 9:00 a.m. on the second Friday of December.

The board consists of (~~seven~~) nine members. At the annual meeting the board elects the chair, vice-chair, and secretary from its members. The newly elected officers assume the duties of their offices at the conclusion of the meeting and serve a term of one year. Officers can be reelected for one additional term.

Either the chair or a quorum of the board has the authority to call meetings of the board. The chair presides at all meetings. In the event of the chair's absence or inability to act, the vice-chair presides. The board determines other duties of the officers.

The board's meetings are open public meetings conducted pursuant to chapter 42.30 RCW. WAC 4-25-521 provides information on how to contact the board's office for meeting times and locations or additional information regarding the board's activities.

AMENDATORY SECTION (Amending WSR 01-11-125, filed 5/22/01, effective 6/30/01)

WAC 4-25-520 What public records does the board maintain?

The board maintains the following public records:

(1) A data base of ((~~Washington CPAs~~)) licensees, certificateholders and permitholders;

(2) A data base of CPA examination candidates;

(3) A data base of ((~~CPA firms~~)) registered resident nonlicensee firm owners;

(4) Board orders;

(5) Board meeting minutes;

(6) Board policies;

(7) Board rules files; and

(8) Documents dealing with the regulatory, supervisory, and enforcement responsibilities of the board.

In order to obtain a list of individuals under the provisions of RCW 42.17.260(9), educational and professional organizations must use the form provided by the board and apply for and receive recognition by the board. Fees for lists must be paid in advance.

AMENDATORY SECTION (Amending WSR 99-18-112, filed 9/1/99, effective 1/1/00)

WAC 4-25-530 Fees. The board shall charge the following fees:

(1)	CPA examination applications:	
(a)	First-time	\$((230)) <u>264</u>
(b)	Reexamination, four sections	\$((205)) <u>239</u>
(c)	Reexamination, two sections	\$((155)) <u>172</u>
(d)	Reexamination, one section	\$((140)) <u>149</u>
(e)	Administration of examination for out-of-state applicants	\$90
((2))	Application for certificate—	\$75
(3)	Application for certificate by reciprocity from other jurisdictions—	\$225
(4)	License to practice public accounting, includes certificate renewal fee—	\$120
(5)	Certificate renewal—	\$40
(6)	Firm license:	
(a)	Sole proprietorships (with one or more employees)—	\$90
(b)	Partnerships and limited liability partnerships—	\$90
(c)	P.S. corporations and limited liability companies—	\$90))
(2)	<u>Application for individual license, permit to practice, individual license through reciprocity, or registration as a resident nonlicensee firm owner</u>	<u>\$300</u>
(3)	<u>Renewal of license, certificate, permit to practice, or registration as a resident nonlicensee firm owner</u>	<u>\$200</u>
(4)	<u>CPA firm license and renewal fee (sole proprietorships with no employees are exempt)</u>	<u>\$200</u>
((4))	Amendment to firm license	\$((10))
(5)		<u>25</u>

((7)) (6)	Copies of records, per page exceeding fifty pages	\$((0.10))) <u>0.50</u>
((8)) (7)	Printed listing of ((CPAs, CPA firms,)) CPA exam candidates((; set up charge plus \$.01/record))	\$((50)) <u>75</u>
((9)) (8)	Computer diskette listing of ((CPAs, CPA firms,)) licensees, certificateholders, permitholders, and registered resident nonlicensee firm owners and CPA exam candidates	\$((50)) <u>75</u>
((10)) (9)	Applications for reinstatement of license, permit to practice, certificate, or registration as a resident nonlicensee owner	\$((25)) <u>450</u>
((11)) (10)	Replacement CPA certificates	\$((25)) <u>50</u>
((12)) (11)	Quality assurance review program ((per financial statement report review)) fee (includes monitoring reviews for up to two years)	\$((225)) <u>400</u>
((13)) (12)	Late ((or incomplete individual or firm renewal application, per month or part thereof, to a maximum of \$200 per application)) fee	\$((25)) <u>100</u>
((14)) (13)	Dishonored check fee (including, but not limited to, insufficient funds or closed accounts)	\$((30)) <u>35</u>

Note: The board may waive late filing fees for good cause.

AMENDATORY SECTION (Amending WSR 00-11-070, filed 5/15/00, effective 6/30/00)

WAC 4-25-540 What ~~((are brief adjudicative proceedings))~~ rules govern the proceedings before the board? Except where they are inconsistent with the rules in this chapter and subject to additional rules that the board may adopt from time to time, practice and procedure in and before the board are governed by the uniform procedural rules codified in the Washington Administrative Code, chapter 10-08 WAC. The board reserves the right to make whatever determination is fair and equitable should any question not covered by the rules come before the board, said determination to be in accordance with the spirit and intent of the law.

For certain types of decisions, the board has adopted an appeal process authorized by ~~((chapter 34.05))~~ RCW 34.05.482 through 34.05.494 which is called a brief adjudicative proceeding. Decisions to which this appeal process will be applied are:

- Denials of initial individual license ~~((or certificate))~~ applications, renewals, or applications for reinstatement;
- Denials of certificate renewals or applications for reinstatement;
- Denials of initial permit to practice applications, renewals, or applications for reinstatement;
- Denials of initial resident nonlicensee firm owner registration applications, renewals, or applications for reinstatement;
- Denials of initial firm license applications and ~~((firm license))~~ renewals;
- Denials of exam applications; and
- A determination whether a licensee or certificateholder has been certified by a lending agency and reported for nonpayment or default on a federally or state-guaranteed student loan or service conditional scholarship.

To appeal a decision you must submit your request for a brief adjudicative proceeding, **in writing**, to the board **within thirty days** after the decision by board staff is posted in the U.S. mail. The ~~((residing))~~ presiding officer for the brief adjudicative proceedings is the executive director. After consulting with a board member, the executive director renders a decision either upholding or overturning the decision by board staff. This decision, called an order, is mailed to you.

If you are dissatisfied with the order in the brief adjudicative proceeding, you may appeal to the board's vice-

chair. This appeal process is called an administrative review. Your appeal must be received by the board, **orally or in writing, within twenty-one days** after the brief adjudicative proceedings order is posted in the U.S. mail. The vice-chair considers your appeal and either upholds or overturns the brief adjudicative proceeding order. The vice-chair's decision, also called an order, is mailed to you.

AMENDATORY SECTION (Amending WSR 98-12-023, filed 5/27/98, effective 6/27/98)

WAC 4-25-550 Do I need to notify the board if I change my address? All CPAs (~~and CPA~~), firms licensed with the board, and individuals registered with the board as resident nonlicensee firm owners must notify the board **in writing** within thirty days of any change of address.

AMENDATORY SECTION (Amending WSR 98-12-047, filed 5/29/98, effective 6/29/98)

WAC 4-25-551 Must I respond to inquiries from the board? All CPAs (~~(and CPA firms)~~), firms licensed with the board, and individuals registered with the board as resident nonlicensee firm owners must respond, **in writing**, to board communications requesting a response. Your response must be made within **twenty days of the date** the board's communication is posted in the U.S. mail. Communications from the board to you are directed to the last address you furnished the board.

AMENDATORY SECTION (Amending WSR 93-22-046, filed 10/28/93, effective 11/28/93)

WAC 4-25-610 What are the principles of conduct((-)) with which I must comply? The principles of conduct are as follows:

Professional demeanor - In carrying out their responsibilities, ~~((professional))~~ a person((s)) representing oneself as a CPA or using the CPA title ((shall)), CPA firms, and firm owners must exercise professional judgment in all their activities.

The public interest - ~~((Persons))~~ A person representing oneself as a CPA or using the CPA title ((shall)), CPA firms, and firm owners must accept the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate commitment to professionalism.

Integrity - To maintain and broaden public confidence ~~((persons))~~ a person representing oneself as a CPA or using the CPA title ((shall)), CPA firms, and firm owners must perform all professional responsibilities with the highest sense of honesty.

Objectivity - Objectivity is to be maintained by ~~((persons))~~ a person representing oneself as a CPA or using the CPA title, CPA firms, and firm owners. Specifically, ~~((persons))~~ a person representing oneself as a CPA or using the CPA title ((shall)), CPA firms, and firm owners must:

(1) Avoid rendering professional services where actual or perceived conflicts of interest exist;

(2) Be independent in fact and appearance when providing ~~((auditing or other))~~ attestation services.

Due care - ~~((Persons))~~ A person representing oneself as a CPA or using the CPA title ((shall)), CPA firms, and firm owners must comply with federal and state laws and the profession's technical and ethical standards, maintain competence and strive to improve the quality of services, and discharge professional responsibility to the best of the ~~((CPA's))~~ person's or the firm's ability.

AMENDATORY SECTION (Amending WSR 98-12-048, filed 5/29/98, effective 6/29/98)

WAC 4-25-620 ~~((When must I comply with the rules of conduct requiring))~~ What are the requirements concerning integrity and objectivity? ~~((If you use the title CPA))~~ When offering or performing ~~((professional))~~ services ~~((you))~~, CPAs, CPA firms, and firm owners must:

- Remain honest and objective~~((You must))~~;
- Not misrepresent facts ~~((or))~~;
- Not subordinate ~~((your))~~ their judgment to others~~((Also, you must))~~; and
- Remain free of conflicts of interest unless such conflicts are specifically permitted by board rule or professional standards.

If professional standards differ from board principles and rules, board principle and rule prevail~~((s))~~.

AMENDATORY SECTION (Amending WSR 98-12-049, filed 5/29/98, effective 6/29/98)

WAC 4-25-622 (~~((Independence.))~~) What are the requirements concerning independence? (1) (~~((A CPA))~~) If you are a licensee in public practice you must be independent in the performance of the following:

(a) An audit or review of a financial statement; or
(b) A compilation of historical or prospective financial statement when the (~~((CPA's))~~) licensee's report does not disclose a lack of independence; or

(c) Other attest engagements when required by board rules or other professional standards such as the statements of standards for attestation engagements.

(2) The following specific acts are examples of impairment of independence. The board does not intend this listing to be all inclusive.

(a) During the period of a professional engagement, or at the time of expressing an opinion, (~~((a CPA))~~) the licensee or ((a CPA's)) the licensee's firm, any owner of the licensee's firm, any affiliated entity, or owners of an affiliated entity:

(i) Had or was committed to acquire any direct or material indirect financial interest in the enterprise.

(ii) Was a trustee of any trust or executor or administrator of any estate if such trust or estate had or was committed to acquire any direct or material indirect financial interest in the enterprise.

(iii) Had any joint closely-held business investment with the enterprise or with any officer, director, or principal stockholder thereof which was material in relation to the (~~((CPA's))~~) licensee's net worth ((or)), the net worth of the ((CPA's)) licensee's firm, or the net worth of any owner of the licensee's firm, any affiliated entity, or owners of an affiliated entity.

(iv) Had any loan to or from the enterprise or any officer, director, or principal stockholder of the enterprise except under certain circumstances for home mortgages, other secured loans, loans not material to the (~~((CPA's))~~) licensee's net worth, ((and various personal loans)) the net worth of the licensee's firm, or the net worth of any owner of the licensee's firm, any affiliated entity, or owners of an affiliated entity.

(b) During the period covered by the financial statements, during the period of the professional engagement or at the time of expressing an opinion, the (~~((CPA or a CPA's))~~) licensee, the licensee's firm, an owner of the licensee's firm, any affiliated entity, or owners of an affiliated entity:

(i) Was connected with the enterprise as a promoter, underwriter, or voting trustee, a director or officer or in any capacity equivalent to that of a member of management or of an employee; or

(ii) Was a trustee for any pension or profit-sharing trust of the enterprise.

(3) See WAC 4-25-626 for restrictions concerning commission, referral, and contingent fees.

AMENDATORY SECTION (Amending WSR 01-03-012, filed 1/5/01, effective 2/5/01)

WAC 4-25-626 What restrictions govern commissions, referral, and contingent fees? For the purposes of this section, the term "licensed firm" includes any affiliated entities and the term "firm owner" includes the owners of any affiliated entities.

(1) A CPA (~~((shall))~~), a firm owner, or a licensed firm must not for a commission recommend or refer to a client any product or service, or for a commission recommend or refer any product or service to be supplied by a client, or receive a commission, when the CPA (~~((also))~~), the CPA's firm, the owner's firm, or the firm performs attest services for that client. This prohibition applies during the period in which the CPA, the CPA's firm, the owner's firm, or the firm is engaged to perform the attest services and the period covered by any historical financial statements involved in the attest services.

(2) A CPA, a licensed firm, or a firm owner who is not prohibited by this section from performing services for or receiving a commission and who is paid or expects to be paid a commission (~~((shall))~~) must disclose, consistent with the requirements set forth in subsection (7) of this section, that fact to any person or entity to whom the CPA, the CPA's firm, the firm owner, the owner's firm, or the licensed firm recommends or refers a product or service to which the commission relates.

(3) (~~((Any))~~) A CPA (~~((who accepts))~~), a firm owner, or a licensed firm accepting a referral fee for recommending or referring any services (~~((of a CPA))~~) to any person or entity or who pays a referral fee to obtain a client (~~((shall))~~) must disclose, consistent with the requirements set forth in subsection (7) of this section, such acceptance or payment to the client.

(4) A CPA (~~((shall))~~), a firm owner, or a licensed firm must not:

(a) Perform for a contingent fee any professional services for, or receive such a fee from a client for whom the CPA (~~((or))~~), the CPA's firm, the firm owner, the owner's firm, or the licensed firm performs attest services; or

(b) Prepare an original or amended tax return or claim for a tax refund for a contingent fee for any client.

(5) The prohibition in subsection (4)(a) of this section applies during the period in which the CPA, the CPA's firm, the owner's firm, or the licensed firm is engaged to perform the attest services and the period covered by any historical financial statements involved in the attest services.

(6) (~~((Except as stated in the next sentence, a contingent fee is a fee established for the performance of any service pursuant~~))

~~to an arrangement in which no fee will be charged unless a specified finding or result is attained, or in which the amount of the fee is otherwise dependent upon the finding or result of such service. Solely for purposes of this section,))~~ Fees are not ~~((regarded as being))~~ considered contingent if fixed by courts or other public authorities, or, in tax matters, if determined based on the results of judicial proceedings or the findings of governmental agencies. ~~((A CPA's))~~ Fees may vary depending, for example, on the complexity of services rendered.

(7) All CPAs, firm owners, and licensed firms who accept commission, referral and contingent fee arrangements must:

(a) Disclose the arrangement in writing and in advance of client acceptance;

(b) Disclose the method of calculating the fee or amount of fee; and

(c) Specify the CPA's role as the client's advisor.

AMENDATORY SECTION (Amending WSR 93-22-046, filed 10/28/93, effective 11/28/93)

WAC 4-25-630 ((Competence.)) What are the requirements concerning competence? ((A certified public accountant shall)) CPAs, CPA firms, and firm owners must not undertake any endeavor for the performance of services as a ((certified public accountant that he or she cannot)) CPA, CPA firm, or as a firm owner unless they can reasonably expect to complete the service with professional competence.

AMENDATORY SECTION (Amending WSR 00-11-071, filed 5/15/00, effective 6/30/00)

WAC 4-25-631 With which rules, regulations and professional standards must a CPA, CPA firm, and firm owner comply? ((A CPA)) CPAs, CPA firms, and firm owners must comply with rules, regulations, and professional standards ~~((standards))~~ promulgated by the appropriate bodies for each endeavor undertaken. However, if professional standards differ from board rule, board rules prevail.

Such appropriate bodies include, but are not limited to, the Securities and Exchange Commission (SEC); the Financial Accounting Standards Board (FASB); the Governmental Accounting Standards Board (GASB); the Cost Accounting Standards Board (CASB); the Federal Accounting Standards Advisory Board (FASAB); the U.S. General Accounting Office (GAO); the Federal Office of Management and Budget (OMB); the Internal Revenue Service (IRS); the American Institute of Certified Public Accountants (AICPA), and federal, state, and local audit, regulatory and tax agencies.

Such standards include:

(1) Statements on Auditing Standards and related Auditing Interpretations issued by the AICPA ~~((including subsequent amendments))~~;

(2) Statements on Standards for Accounting and Review Services and related Accounting and Review Services Interpretations issued by the AICPA ~~((including subsequent amendments))~~;

(3) Statements on Governmental Accounting and Financial Reporting Services issued by GASB ~~((including subsequent amendments))~~;

(4) Statements on Standards for Attestation Engagements and related Attestation Engagements Interpretations issued by AICPA ~~((including subsequent amendments))~~;

(5) Statements of Financial Accounting Standards, together with those Accounting Research Bulletins and Accounting Principles Board Opinions which are not superseded by action of the FASB ~~((, including subsequent amendments))~~;

(6) Statement on Standards for Consulting Services issued by the AICPA ~~((including subsequent amendments))~~;

(7) Statements on Quality Control Standards issued by the AICPA ~~((including subsequent amendments))~~;

(8) Statements on ~~((Responsibilities in Tax Practice))~~ Standards for Tax Services and Interpretation of Statements on ~~((Responsibilities in Tax Practice))~~ Standards for Tax Services issued by the AICPA ~~((including subsequent amendments))~~;

(9) Statements on Responsibilities in Personal Financial Planning Practice issued by the AICPA (~~((including subsequent amendments))~~);

(10) Professional Code of Conduct issued by the AICPA including interpretations(~~((,))~~) and ethics rulings(~~((, and subsequent amendments))~~);

(11) Governmental Auditing Standards issued by the U.S. General Accounting Office(~~((, and subsequent amendments))~~); (~~and~~)

(12) Auditing and Accounting Guides (both General and Industry) issued by the AICPA; and

(13) SEC Rules, Concept Releases, Interpretative Releases, and Policy Statements.

If the professional services are governed by standards not included in subsections (1) through (~~((12))~~) (13) of this section, (~~the CPA~~) you must:

- Justify the departure from the standards listed in subsections (1) through (~~((12))~~) (13) of this section;
- Determine what standards are applicable; and
- Comply with the applicable standards.

Copies of the above standards may be inspected at the board's office.

AMENDATORY SECTION (Amending WSR 93-22-046, filed 10/28/93, effective 11/28/93)

WAC 4-25-640 Clients' confidential information. (1) The term "client" as used throughout this section must include former and current clients. For purposes of this section, a client relationship has been formed when confidential information has been disclosed by a prospective client in an initial interview to obtain or provide professional services.

(2) **Confidential client communication.** ~~((The term "client" as used throughout this section shall include a former, current, or prospective client.))~~ A licensee ~~((or any partner, officer, shareholder))~~, firm owner, or employee of a licensee ~~((shall))~~ must not without the consent of the client or the heirs, successors or personal representatives of the client disclose any confidential communication or information pertaining to the client obtained in the course of performing professional services.

This rule does not:

(a) Affect in any way a licensee's, firm owner's, or employee's obligation to comply with a ~~((validly))~~ lawfully issued subpoena or summons ~~((enforceable by order of a court))~~; or

(b) Prohibit disclosures in the course of a quality review of a licensee's ~~((professional))~~ attest services; or

(c) Preclude a licensee, firm owner, or employee from responding to any inquiry made by the board or any investigative or disciplinary body established by law or formally recognized by the board. However, a licensee ~~((or any partner, officer, shareholder))~~, firm owner, or employee of a licensee shall not disclose or use to their own advantage any confidential client information that comes to their attention in carrying out their official responsibilities.

~~((+2))~~ (3) **Client records.** ~~((A licensee shall))~~ Licensees and firm owners must furnish to ~~((his or her))~~ their client or heirs, successors or personal representatives, upon request and reasonable notice:

(a) A copy of the licensee's or firm owner's working papers, to the extent that such working papers include records that would ordinarily constitute part of the client's records and are not otherwise available to the client; and

(b) Any accounting or other records belonging to, or obtained from or on behalf of, the client, that the licensee or firm owner removed from the client's premises or received for the client's account; but the licensee or firm owner may make and retain copies of such documents of the client when they form the basis for work done by the licensee or firm owner.

Licensees and firm owners must not hold client records hostage pending client payment of outstanding fees.

AMENDATORY SECTION (Amending WSR 93-22-090, filed 11/2/93, effective 12/3/93)

WAC 4-25-650 ~~((Acts discreditable.))~~ What acts are considered discreditable? ~~((A person using the CPA title shall))~~ CPAs, CPA firms, and firm owners must not:

• Commit, or allow others to commit in ~~((the CPA's))~~ their name, any act that reflects adversely on ~~((the CPA's))~~ their fitness to represent ~~((himself or herself))~~ themselves as a CPA~~((s))~~, CPA firm, or a firm owner;

~~((A person using the CPA title shall not))~~ • Seek to obtain clients by the use of coercion, intimidation or harassing conduct~~((s))~~; or

~~((A person using the CPA title shall not))~~ • Permit others to carry out on ~~((his or her))~~ their behalf, either with or without compensation, acts which~~((, if carried out by the CPA, would place the CPA in violation of))~~ violate the rules of conduct.

AMENDATORY SECTION (Amending WSR 00-11-072, filed 5/15/00, effective 6/30/00)

WAC 4-25-660 What are the limitations on advertising and other forms of solicitation? (1) ~~((If you use the title CPA, you))~~ CPAs, CPA firms, and firm owners must not make false, fraudulent, misleading, deceptive or unfair statements or claims regarding your services. Examples of such statements or claims include, but are not limited to, statements or claims which:

- (a) Contain a misrepresentation of fact;
- (b) Fail to make full disclosure of relevant facts;
- (c) Imply your professional services are of an exceptional quality, which is not supported by verifiable facts;
- (d) Create false expectations of favorable results;
- (e) Imply educational or professional attainments, specialty designations, or licensing recognition not supported in fact; or
- (f) Represent that professional services will be performed for a stated fee when this is not the case, or do not disclose all variables that may reasonably be expected to affect the fees that will be charged.

(2) If you ~~((use))~~ are a licensee using the CPA title to perform or solicit services via ~~((the Internet))~~ a web site, you must include a statement on the ~~((Internet site))~~ web site that you hold a valid Washington state ~~((CPA certificate))~~ license. This statement must be clearly visible and prominently displayed.

(3) If you are a certificateholder using the CPA-Inactive title to perform or solicit services via a web site you must clearly, visibly, and prominently display the following on the web site:

- (a) That you hold a valid Washington state CPA certificate;
- (b) As a certificateholder you are an inactive CPA;
- (c) That you do not hold a license to practice public accounting; and
- (d) Washington state law does not allow a CPA-Inactive to offer or provide accounting, auditing, attest, reports on financial statements, tax preparation or advisory, management advisory, consulting or similar services to the public.

(4) If you are a resident owner of a firm licensed by the board and you perform or solicit services in association with the firm via a web site, you must clearly, visibly, and prominently display a statement that you are either:

- (a) A licensee holding a valid Washington state license; or
- (b) A non-CPA owner registered with the Washington state board of accountancy.

AMENDATORY SECTION (Amending WSR 00-11-073, filed 5/15/00, effective 6/30/00)

WAC 4-25-661 What are the limitations regarding firm names ~~((must be approved by the board and what firm names are prohibited))~~? ~~((1))~~ A firm name that does not consist of the name(s) of one or more present or former owners must be approved in advance by the board as not being deceptive or misleading.

~~((2))~~ Misleading or deceptive firm names are prohibited. The following are examples of misleading firm names. The board does not intend this listing to be all inclusive. The firm name:

~~((a))~~ (1) ~~Implies ((the existence of a corporation when the firm is not a corporation))~~ it is a legal entity when it is not such an entity (as by the use of the ~~((abbreviations))~~ designations "P.C.," "P.S.," ~~((or))~~ "Inc. P.S.," or "L.L.C.";

~~((b))~~ (2) Implies the existence of a partnership when one does not exist;

~~((c))~~ (3) Includes the name of a person who is neither a present nor a past ~~((partner or shareholder))~~ owner of the firm; or

~~((d))~~ ~~Includes the words "and Associates," "& Associates," or "and Assoc.," when there are not at least two owners and/or employees holding a valid CPA license.)~~

(4) Implies educational or professional attainments, specialty designations, or licensing recognition not supported in fact.

A licensee may not operate under an alias, a firm name, title, or "DBA" that differs from the firm name that is registered with the board.

AMENDATORY SECTION (Amending WSR 95-20-065, filed 10/3/95, effective 11/3/95)

WAC 4-25-710 ((CPA — certificate — Education — requirements.))
What are the education requirements to qualify to apply for the CPA examination? ((Until June 30, 2000, applicants for a CPA certificate shall have a baccalaureate degree conferred by a college or university recognized by the board. The degree program shall include an accounting concentration or its equivalent and related subjects the board deems appropriate.))
(1) Education requirements: Effective July 1, 2000, ((an applicant for a CPA certificate shall)) to apply for the CPA examination you must have completed:

(a) At least one hundred fifty semester hours of college education, including((+)

•)) (b) A baccalaureate or higher degree; and

((+)) (c) An accounting concentration ((or its equivalent)) as defined ((by the board.

(1) Equivalent education. Until June 30, 2000, the board may, in its discretion, waive the educational requirements for any person if the board is satisfied that the applicant has successfully completed such equivalency examinations as may be offered by bona fide educational testing organizations. The board will not prepare or offer equivalent education examinations. The board will designate, by resolution, acceptable educational testing organizations and equivalency examinations when and if acceptable organizations and examinations exist. Effective July 1, 2000, the board will discontinue this provision for equivalent education.)) as at least:

(i) Twenty-four semester hours or the equivalent in accounting subjects of which at least fifteen semester hours must be at the upper division or graduate level (an upper division course is defined as a course only available to students who have standing as a junior, senior, or graduate; frequently carries completion of an elementary course(s) as a prerequisite for admission; and is usually designated as "upper division" by the school offering the course); and

(ii) Twenty-four semester hours or the equivalent in business administration subjects at the undergraduate or graduate level.

(d) The board will not recognize accounting concentration credits awarded for "life experience" or similar activities retroactively evaluated and recognized by colleges or universities. This restriction is not intended to apply to internships prospectively approved by colleges or universities.

(2) Education obtained outside the United States((.— In the ease of education)): If you obtained all or a portion of your

education outside the United States~~((, the board may, at its discretion, rely on bona fide))~~ you must have your education evaluated by a board approved foreign education credential evaluation service~~((s))~~. The board will establish the criteria for board approval of foreign education credential evaluation services. The board will not provide ~~((such))~~ education credential evaluation services~~((, but will designate acceptable foreign education evaluation services, by board resolution, upon application from service providers))~~.

(3) **Semester versus quarter hours:** As used in these rules, a "semester hour" means the conventional college semester hour. Your quarter hours ~~((may))~~ will be converted to semester hours by multiplying them by two-thirds.

(4) **Accreditation standards**~~((-))~~: For purposes of this rule, the board will recognize colleges and universities which are accredited in accordance with (a) through (c) of this subsection.

(a) An accredited college or university is a four-year degree-granting college or university accredited at the time ~~((the applicant's))~~ your degree was received by virtue of membership in one of the following accrediting agencies:

(i) Middle States Association of College and Secondary Schools;

(ii) New England Association of Schools and Colleges;

(iii) North Central Association of Colleges and Secondary Schools;

(iv) Northwest Association of Schools and Colleges;

(v) Southern Association of Colleges and Schools;

(vi) Western Association of Schools and Colleges; and

(vii) Accrediting Commission for Independent Colleges and Schools, or its predecessor, the Accrediting Commission of the Association of Independent Colleges and Schools.

(b) If an institution was not accredited at the time ~~((an applicant's))~~ your degree was received but is so accredited at the time ~~((the))~~ your application is filed with the board, the institution will be deemed to be accredited for the purpose of (a) of this subsection provided that it:

(i) Certifies that ~~((the applicant's))~~ your total educational program would qualify the applicant for graduation with a baccalaureate degree during the time the institution has been accredited; and

(ii) Furnishes the board satisfactory proof, including college catalogue course numbers and descriptions, that the preaccrediting courses used to qualify ~~((the applicant))~~ you for a concentration in accounting are substantially equivalent to postaccrediting courses.

(c) If ~~((an applicant's))~~ your degree was received at an accredited college or university as defined by (a) or (b) of this subsection, but the educational program which was used to qualify ~~((the applicant))~~ you for a concentration in accounting included courses taken at nonaccredited institutions, either before or after graduation, such courses will be deemed to have

been taken at the accredited institution from which ~~((applicant's))~~ your degree was received, provided the accredited institution either:

(i) Has accepted such courses by including them in its official transcript; or

(ii) Certifies to the board that it will accept such courses for credit toward graduation.

(5) **Alternative to accreditation**~~((A graduate of))~~: If you graduated from a four-year degree-granting institution that was not accredited at the time ((the applicant's)) your degree was received or at the time ((the)) your application was filed, you will be deemed to be a graduate of a four-year accredited college or university if a credentials evaluation service approved by the board certifies that ((the applicant's)) your degree is equivalent to a degree from an accredited college or university as defined in subsection (4) of this section.

~~((6) Accounting concentration. Until June 30, 2000, a concentration in accounting for holders of baccalaureate degrees, for purposes of this rule, shall consist of at least:~~

~~(a) Twenty four semester hours or the equivalent, in accounting subjects including no more than ten semester hours of lower division elementary accounting courses; and~~

~~(b) Twenty four semester hours or the equivalent, in business administration subjects which shall include business law, finance, and economics.~~

~~(c) A concentration in accounting for holders of graduate degrees for purposes of this rule shall consist of at least:~~

~~(i) Sixteen semester hours or the equivalent in graduate level accounting subjects. Undergraduate accounting courses may be substituted at two thirds of the stated undergraduate credit; and~~

~~(ii) Sixteen semester hours or the equivalent in graduate level business administration subjects which shall include business law, finance, and economics. Undergraduate business courses may be substituted at two thirds of the stated undergraduate credit.~~

~~(7) Accounting concentration. After June 30, 2000, a concentration in accounting, for purposes of this rule, shall consist of at least:~~

~~(a) Twenty four semester hours or the equivalent in accounting subjects of which at least fifteen semester hours must be at the upper division or graduate level (an upper division course is defined as a course only available to students who have standing as a junior, senior or graduate; frequently carries completion of an elementary course(s) as a prerequisite for admission; and is usually designated as "upper division" by the school offering the course); and~~

~~(b) Twenty four semester hours or the equivalent in business administration subjects at the undergraduate or graduate level.~~

~~The board will not recognize accounting concentration credits awarded for "life experience" or similar activities retroactively evaluated and recognized by colleges or~~

~~universities. This restriction is not intended to apply to
internships prospectively approved by colleges or
universities.))~~

AMENDATORY SECTION (Amending WSR 93-12-070, filed 5/27/93, effective 7/1/93)

WAC 4-25-720 ((CPA examination--Application.)) How do I apply to take the CPA examination? (1) **Application form and due dates:** Your application((s)) to take the ((certified public accountant)) CPA examination must be made on a form provided by the board's designee and filed with the board's designee on or before March 1 for the May examination and September 1 for the November examination. Applications, including all required documentation, for the May examination must be postmarked by March 1 (and received by March 10). Applications, including all required documentation, for the November examination must be postmarked by September 1 (and received by September 10). An application ((will)) is not ((be)) considered filed until the examination fee has been received by the board's designee.

((An applicant who)) (2) **Failure to attend the exam:** If you fail((s)) to appear for examination or reexamination ((shall)) you forfeit the fees charged for examination and reexamination. ((The board may, upon showing of good cause, refund a portion of the examination fee.))

(3) **Notice of admittance to the examination or denial of your application:** Notice of the denial of your application, or notice of your admittance to the examination along with the time and place of the examination ((shall)) will be mailed to you at least ten days prior to the date set for the examination ((to each candidate whose application to sit for the examination has been approved by the board)).

((1)) A passing grade for each section shall be seventy-five. The board uses the Advisory Grading Services of the American Institute of Certified Public Accountants.

An applicant, at each sitting of the examination in which the applicant takes any section of the examination, must take all sections not previously passed.

((2)) (4) **Examination, grading and conditioning:** The board uses all parts of the uniform CPA examination and the advisory grading services of the American Institute of Certified Public Accountants. Seventy-five or better is a passing grade for each section of the examination. Each time you sit for the examination you must take all sections you have not previously passed. You are required to pass all sections of the examination in order to qualify for a license. If at a given sitting of the examination you pass two or more, but not all sections of the examination, then you will receive credit for those sections that you pass and you will not be required to take those sections again provided:

(a) You took all unpassed sections of the examination at that sitting;

(b) You attained a minimum grade of fifty on each section of the examination not passed at that sitting;

(c) You pass the remaining sections of the examination within six consecutive examinations given after the one at which the first sections were passed;

(d) At each subsequent sitting you take all sections not yet passed and you attain a minimum grade of fifty on those sections taken but not passed at that sitting; and

(e) In order to receive credit for passing additional sections in a subsequent sitting you attain a minimum grade of fifty on sections taken but not passed at that sitting.

(5) **Ethics exam**(~~(. In addition to the uniform)~~): Upon passing the CPA examination, (~~(candidates shall be)~~) applicants for licensure are required to (~~(pass an examination, or alternatively to complete a course of study, prescribed by or acceptable to the board, in professional ethics)~~) demonstrate a passing grade of ninety percent or better on the AICPA professional code of conduct examination.

(~~((3))~~) (6) **Proctoring CPA exam candidates**(~~((-))~~): The board may agree to request the assistance of another accountancy board in proctoring Washington's applicants at out-of-state exam sites and may agree to proctor another accountancy board's applicants at a Washington exam site, both subject to space and staffing constraints. The board will not arrange for out-of-state proctoring for applicants domiciled out-of-state who wish to take the uniform CPA exam as Washington candidates. Such applicants must take the CPA exam in Washington on a space available basis.

(~~((4) CPA exam)~~) (7) **One hundred twenty days to demonstrate completion of the education requirement**(~~(. A person who has met)~~): If you expect to meet the education requirements of WAC 4-25-710(~~(, or who expects to meet it)~~) within one hundred twenty days following the examination(~~(, or with respect to whom it has been waived, is)~~) you are eligible to take the (~~(uniform)~~) CPA examination provided (~~(all other requisites have been satisfied)~~) you submit, on a form provided by the board's designee, signed confirmation from the university you are enrolled in stating you will meet the education requirements within one hundred twenty days following the examination. If (~~(a person is)~~) you are admitted to the examination on the expectation that (~~(he or she)~~) you will complete the educational requirement within one hundred twenty days, (~~(no certificate may be issued, nor)~~) you will not be given credit for the examination or any section (~~(of it be given,)~~) of the examination unless (~~(this requirement is in fact completed within that time or within such time as the board in its discretion may determine upon application)~~) you demonstrate you meet the education requirements within one hundred twenty days of that sitting.

AMENDATORY SECTION (Amending WSR 01-11-127, filed 5/22/01, effective 6/30/01)

WAC 4-25-721 What does the board consider to be cheating on the CPA examination, what actions may the board take if cheating is suspected, and what sanctions may the board impose if cheating occurs? (1) Cheating includes, but is not limited to:

(a) Communication between candidates inside or outside of the examination room during the examination;

(b) Unauthorized communication with others outside of the examination room during the examination;

(c) Substitution by a candidate of another person to write one or more of the examination papers for him/her;

(d) Referencing crib sheets, text books, or other material inside or outside the examination room during the examination;

(e) Copying or attempting to copy another candidate's answers;

(f) Taking, removing, copying, transmitting, attempting to take, attempting to remove, attempting to copy, or attempting to transmit an examination booklet or paper, answer sheet, essay question paper, or notes from the examination site;

(g) Disclosing or attempting to disclose examination questions and/or answers to others;

(h) Bringing unauthorized prohibited items into the examination site; or

(i) Possessing unauthorized prohibited items in the examination site.

(2) Cheating on the CPA examination is dishonesty directly related to the professional responsibilities of a CPA and demonstrates a lack of good character. All candidates involved in cheating may be subject to penalties, although not necessarily of the same severity. When determining appropriate sanctions for cheating, the board may impose one or more of the following penalties:

(a) Enter a failing grade for any or all parts of the candidate's examination;

(b) Bar a candidate from writing future examinations; or

(c) ~~((Impose a fine up to one thousand dollars and recovery of investigative and legal costs;~~

~~(d)))~~ Notify other jurisdictions of the board's conclusions and order.

(3) If a candidate is suspected of cheating, a board representative may expel the candidate from the examination, move the candidate suspected of cheating away from other candidates and/or confiscate unauthorized prohibited items. The board representatives may require a candidate suspected of cheating, or a candidate who may have observed cheating, to

respond to board inquiry. The board may schedule a hearing to determine the validity of the charge of cheating.

AMENDATORY SECTION (Amending WSR 01-03-011, filed 1/5/01, effective 6/30/01)

WAC 4-25-730 What are the experience requirements in order to obtain a CPA license? Qualifying experience may be obtained through:

- The practice of public accounting in a CPA firm that participates in a board approved peer or quality review program;
- Other employment provided you obtain the competencies defined by subsection (2)(a) of this section; or
- A combination of the two alternatives listed above provided you obtain the competencies defined by subsection (2)(a) of this section.

For both full-time and part-time employment, your experience must:

- Cover a minimum twelve-month period;
- Consist of at least two thousand hours; and
- Be obtained no more than eight years prior to applying for an initial license except if you held a Washington state CPA certificate as of June 30, 2001, and you apply for licensure by June 30, 2004, you are not restricted to the eight-year limitation.

Your experience may be obtained through one or more employers, with or without compensation, and may consist of a combination of full-time and part-time employment.

(1) **Public accounting experience:** You may obtain all or a portion of your qualifying experience through employment in a licensed CPA firm that participates in a board approved peer or quality review program. Your experience must be:

(a) ~~Obtained through ((performing services that meet the definition of the practice of public accounting as defined by RCW 18.04.025(5))~~ the use of accounting, issuing reports on financial statements, management advisory, financial advisory, tax, tax advisory, or consulting skills; and

(b) Under the supervision of a member of the firm who holds a valid CPA license ~~((and is actively engaged in the))~~ to practice ((of)) public accounting.

(2) **Experience equivalent to public accounting:** You may obtain all or a portion of your qualifying experience through the use of accounting, issuing reports on financial statements, management advisory, financial advisory, tax, tax advisory, or consulting skills in an entity other than a CPA firm participating in a board approved peer or quality review program. However, to qualify this experience must support your attainment of the competencies identified in (a) of this subsection and your attainment of these competencies must be

supervised and verified by a licensed CPA meeting the requirements identified in (b) of this subsection.

(a) **Competencies:** The competencies that must be obtained to meet the experience requirements of this subsection are as follows. The candidate must demonstrate the ability to:

- (i) Understand the profession's code of conduct;
- (ii) Assess the achievement of an entity's objectives;
- (iii) Prepare working papers that contain sufficient data to support analysis and conclusions;
- (iv) Understand transaction streams and information systems;
- (v) Assess risk and design appropriate procedures;
- (vi) Make decisions, solve problems, and think critically in the context of analysis; and
- (vii) Communicate scope of work, findings and conclusions effectively.

(b) **Supervising CPA:** To supervise and verify a candidate's attainment of the competencies, you must have held a valid CPA license to practice public accounting in Washington or another state ~~((for:~~

~~(i) A minimum of five years prior to supervising the candidate's experience; and~~

~~(ii))~~ during the entire period of supervision.

(3) **Experience affidavit:** Your qualifying experience must be verified by the licensed CPA supervising your experience on the appropriate form(s) provided by the board.

(4) **Applicants holding a certificate ~~((for four years or more:~~** ~~If you held a certificate for more than four years prior to the date you file your application for license, you must also meet the continuing professional education requirements of RCW 18.04.215 (1)(a). You must obtain and submit proof of completion for one hundred twenty hours of continuing professional education within the three year period immediately preceding the date you submit your application with the board))~~ **as of June 30, 2001:** If you held a certificate as of June 30, 2001, prior to the date you file your application for license you must also meet the CPE requirements of RCW 18.04.105 (4)(d). You must submit to the board satisfactory proof of having completed one hundred twenty hours of CPE within the thirty-six months preceding the date you submit your application for licensure with the board.

(5) **Applicants who passed the CPA examination prior to May 1988:** If you passed the CPA examination prior to May 1988, you are not limited to experience obtained within the eight-year period prior to submitting your application. However, if you elect to utilize experience from a period more than eight years prior to your application, you must obtain and submit proof of completion for one hundred twenty hours of continuing professional education within the three-year period immediately preceding the date you submit your application with the board.

(6) **Supervision:** Supervision as used in this rule means that there is a definite relationship between the supervising CPA and the candidate being supervised. The supervising CPA must have

frequent in-person meetings with the candidate and must be able to evaluate the candidate's work through:

(a) Personal knowledge and review of the candidate's work and work environment;

(b) Discussions with the candidate's work supervisor; and

(c) Obtaining an in-depth understanding of the type and quality of the candidate's work.

(7) **Audit:** The board may audit compliance with these experience requirements.

NEW SECTION

WAC 4-25-735 What rules must a certificateholder comply with and how does a certificateholder apply for licensure?

Certificateholders are persons who held a valid certificate on July 1, 2001, but did not hold a valid Washington state license to practice public accounting on that date. Licensees and individuals who did not hold a valid certificate on July 1, 2001, are not eligible for certificateholder status.

- (1) If you are a certificateholder you:
 - (a) May not practice public accounting;
 - (b) Must meet the CPE requirements of WAC 4-25-830 and supporting documentation requirements of WAC 4-25-833;
 - (c) Must comply with the Act and board rules;
 - (d) Must meet the renewal requirements of WAC 4-25-790; and
 - (e) May use the title CPA except, beginning with the first day of your first renewal period beginning after July 1, 2001, you must print or display the word "Inactive" immediately following the CPA title whenever the CPA title is printed on a business card, letterhead, or other document including documents published or transmitted through electronic media, in exactly the same font and font size as the CPA title.

(2) If you are a certificateholder, to qualify for licensure you must:

- (a) Have an approved experience affidavit on file with the board on June 30, 2001, or meet the experience requirements of WAC 4-25-730; and

- (b) Meet the CPE requirements of WAC 4-25-830.

(3) To apply for a license you must use the form(s) provided by the board. An application is not complete and cannot be processed until all fees, required documentation, required information, and other documentation deemed necessary by the board are received by the board. To apply for a license, you must submit to the board:

- (a) A complete application form(s) including your certification, under the penalty of perjury, that you have:

- (i) Not held out in public practice during the time in which you were a certificateholder; and

- (ii) Met the CPE requirements in WAC 4-25-830;

- (b) All applicable fees; and

- (c) Other required documentation, required information, and other documentation deemed necessary by the board.

Upon approval of your application, your license will be mailed to the last address you provided to the board. Your CPE reporting period and your renewal cycle will remain the same. You may not hold out in public practice until you receive written notice from the board of your Washington state CPA

license number. Attest services may only be offered or provided in a licensed CPA firm meeting the requirements of WAC 4-25-750.

AMENDATORY SECTION (Amending WSR 99-18-115, filed 9/1/99, effective 1/1/00)

WAC 4-25-745 How do I apply for an initial CPA license ((and/or certificate))? To qualify to apply for an initial license you must meet the:

- (1) Good character requirements of RCW 18.04.105 (1)(a);
- (2) Education requirements of WAC 4-25-710;
- (3) Examination requirements of WAC 4-25-720; and
- (4) Experience requirements of WAC 4-25-730.

To apply for an initial license ((and/or certificate)) you must use the application form(s) provided by the board. You ((need to)) must fully complete the form(s) ((, have your signature notarized,)) and submit the form(s), all applicable fees, and all required documentation to the board's office.

An initial application is not complete and cannot be processed until all fees, required information, ((and)) required documentation or other documentation or information the board may deem necessary is received by the board. When the processing of your application is complete, ((notification)) your license will be mailed to the last address you provided to the board.

Your initial license ((and/or certificate)) will expire on June 30 of the third calendar year following initial licensure ((and/or certification)).

You may not use the title CPA until you receive written notice from the board of your Washington state CPA ((certificate)) license number. ((You may not hold out as a CPA in public practice until you receive written notice from the board of your Washington state CPA license and certificate number. A licensee)) Attest services may ((only practice public accountancy)) only be offered or provided in a licensed CPA firm meeting the requirements of WAC 4-25-750.

AMENDATORY SECTION (Amending WSR 99-18-116, filed 9/1/99, effective 1/1/00)

WAC 4-25-746 How do I apply for a Washington state CPA license ~~((and/or certificate))~~ if I hold a valid CPA ~~((certificate,))~~ license ~~((or permit))~~ in another state? Pursuant to RCW 18.04.180 and 18.04.215~~((+3+))~~(6) the board may issue a ~~((certificate and/or))~~ license through interstate reciprocity if you hold a CPA ~~((certificate,))~~ license ~~((or permit))~~ to practice public accounting issued by another state provided your state of licensure makes similar provisions for granting reciprocity to holders of a valid certificate or license in this state.

To qualify to apply for a Washington state CPA license under the interstate reciprocity provisions you must:

(1) Meet the good character requirements of RCW 18.04.105 (1)(a);

(2) Meet the CPE requirements in WAC 4-25-830; and

(3) You must have:

(a) Passed the examination required for issuance of your certificate or license in the other state with grades that would have been passing grades at that time in this state and:

(i) Met all current requirements for licensure at the time you apply; or

(ii) Met, at the time of the issuance of your license in the other state, all the requirements applicable at that time to obtain a license in this state; or

(iii) Had five years of experience in the practice of public accountancy within the ten years immediately preceding your filing an application in this state; or

(b) Obtained your original license to practice public accountancy from a state, and during an identified time period, deemed substantially equivalent by the board.

To apply for a Washington state CPA license ~~((and/or certificate))~~ under the interstate reciprocity provisions you must use the application form(s) provided by the board ~~((and satisfy CPE requirements in WAC 4-25-830))~~. You ~~((need to))~~ must fully complete the form(s)~~((, have your signature notarized,))~~ and submit the form(s), all applicable fees, and all required documentation to the board's office.

An application is not complete and cannot be processed until all fees, required information, ~~((and))~~ required documentation, or other documentation or information the board may deem necessary is received by the board. When the processing of your application is complete, notification will be mailed to the last address you provided to the board.

Your Washington state CPA license (~~((and/or certificate))~~) will expire on June 30 of the third calendar year following initial licensure (~~((and/or certification))~~).

~~((You may not use the title CPA and you may not hold out as a CPA in public practice until you have filed a complete application with the board. A licensee may only practice public accountancy in a licensed CPA firm meeting the requirements of WAC 4-25-750.))~~

Provided no sanctions or investigations by other jurisdictions are in process and you have met the requirements for applying for licensure through interstate reciprocity, upon filing a completed application with the board, you may use the CPA title in Washington state.

Attest services may only be offered or provided in a licensed CPA firm meeting the requirements of WAC 4-25-750.

If you are granted a license under these reciprocity provisions, you must notify the board within thirty days if your license or certificate issued by the other jurisdiction has lapsed or otherwise become invalid.

AMENDATORY SECTION (Amending WSR 00-11-074, filed 5/15/00, effective 6/30/00)

WAC 4-25-750 What are the CPA firm licensing requirements?
~~((A licensee))~~ Attest services may only ~~((practice public accountancy))~~ be offered or performed in a ~~((licensed))~~ CPA firm licensed under the Act by the board. An entity wishing to ~~((practice as a CPA firm))~~ use "CPA(s)" or "certified public accountant(s)" in the firm name must first obtain a ~~((CPA firm))~~ license from the board.

(1) **How may a CPA firm be organized?** A CPA firm may be organized as:

- (a) A proprietorship;
- (b) A partnership;
- (c) A professional corporation (PC) or professional service corporation (PS);
- (d) A limited liability company (LLC);
- (e) A limited liability partnership (LLP); or
- (f) Any other form of legal entity authorized by statute for use by a CPA firm.

~~((Each proprietor, partner, shareholder or member who is either resident or practicing public accountancy in this state must hold a valid Washington state CPA license. A nonresident owner must be a licensee of at least one state.))~~

A change in the legal form of a firm constitutes a new firm. Accordingly, the new entity must first obtain a CPA firm license from the board.

(2) **What are the ownership requirements?**

A simple majority of the ownership of the licensed firm in terms of financial interests and voting rights of all partners, owners, or shareholders must be:

- (a) Natural persons;
- (b) Who are licensees or holders of a valid license to practice public accountancy issued by another state; and
- (c) Principally employed by the corporation or actively engaged in its business.

At least one general partner of a partnership, one shareholder of a corporation, and one manager of a limited liability company must be a licensee.

Each CPA proprietor, partner, shareholder or manager who is either a resident or practicing public accountancy in this state must hold a valid Washington state license.

The principal partner of the partnership and any partner having authority over issuing reports on financial statements must be a licensee under the Act or holder of a valid license to practice public accountancy issued by another state.

The principal officer of the corporation and any officer or director having authority over issuing reports on financial statements must be a licensee under the Act or holder of a valid license to practice public accountancy issued by another state.

The principal manager or member of a limited liability company and any member having authority over issuing reports on financial statements must be a licensee under the Act or holder of a valid license to practice public accountancy issued by another state.

A nonresident CPA owner must be licensed to practice public accountancy in at least one state.

A nonlicensee owner must:

- (i) Be a natural person;
- (ii) Meet the good character requirements of RCW 18.04.105(1)(a);
- (iii) Comply with the Act and board rules; and
- (iv) Be an active individual participant in the licensed firm or affiliated entities as these terms are defined in WAC 4-25-410; and

A resident nonlicensee firm owner must meet the requirements of WAC 4-25-752 and register with the board concurrent with submission of the firm license, or submission of an amendment to the firm license, to the board.

(3) What are the requirements for the firm's main office and a branch office? The firm's main office must be under the direct supervision of a resident licensee.

A branch office is an office of a licensed CPA firm which is physically separated from the main office. A branch office must be under the direct supervision of a resident licensee manager who is present a minimum of eighty percent of the time the branch office is open for business. A branch office operates under the CPA firm license of the main office.

~~((+3+))~~ (4) How do I apply for an initial CPA firm license? To apply for an initial CPA firm license you must use the application form(s) provided by the board ~~((.---You must))~~ and submit the completed form(s), all applicable fees, ~~((and))~~ all required documentation including the following to the board's office ~~((.--- When completing the application for a CPA firm license, you must include the following information))~~:

- ~~((+))~~ (a) The firm name;
- ~~((+))~~ (b) Address and telephone number of the main office and any branch offices of the firm;
- ~~((+))~~ (c) Name of the managing licensee of the main office and the managing licensee of each branch office;
- ~~((+))~~ (d) Licensee owners' names and the states in which they hold CPA licenses;
- ~~((+))~~ (e) Name(s) of all nonlicensee owners;
- (f) Complete registration form(s), including the appropriate fee, for each resident nonlicensee owner;
- (g) Names of corporate directors, limited liability company managers, and all officers; and

((+)) (h) Type of legal organization under which the firm operates.

An application is not complete and cannot be processed until all fees, required information, and required documentation is received by the board. Upon completion of processing, a CPA firm license will be mailed to the main office at the last address provided to the board.

The initial CPA firm license will expire on June 30 of the third calendar year following initial licensure.

((+4)) (5) **How do I renew a CPA firm license?** To renew a CPA firm license you must use the form(s) provided by the board. In January of the year of expiration, a renewal form(s) will be mailed to the main office at the last address provided to the board. ~~((To renew a CPA firm license))~~ You must submit a properly completed renewal form(s), all applicable fees and all required documentation to the board by April 30th of the year of expiration. A renewal application is not complete and cannot be processed until all fees, required information, and required documentation is received by the board. Upon completion of processing, the CPA firm license will be mailed to the main office at the last address provided to the board.

The CPA firm license will expire on June 30 of the third calendar year following the date of renewal.

((+5)) (6) **When must I notify the board of changes in the CPA firm?** A CPA firm must provide the board written notification of the following within ~~((ninety))~~ thirty days of its occurrence:

- (a) ~~((Formation or))~~ Dissolution of a CPA firm;
- (b) The occurrence of any event that would cause the firm to be in violation of the provisions of the Public Accountancy Act (chapter 18.04 RCW) or these rules.

The following events require an amendment of a firm license. A CPA firm must provide the written notification to the board, by submitting a firm amendment form and the appropriate amendment fee, within thirty days of the events' occurrence:

- (i) Admission or departure of an owner;
- ((+e)) (ii) Any change in the name of the firm;
- ((+d)) (iii) Change in the managing licensee of the main office or of any branch office; and
- ((+e)) (iv) Opening, closing, or relocating of the main office or of any branch office ~~((+and~~
- ~~(f) The occurrence of any event that would cause the firm to be in violation of the provisions of the Public Accountancy Act (chapter 18.04 RCW) or these rules)).~~

NEW SECTION

WAC 4-25-752 How do I apply to register as a resident nonlicensee owner of a licensed firm and with which rules must a nonlicensee firm owner comply? To qualify as a nonlicensee owner of a licensed CPA firm, you must:

- (1) Be a natural person;
- (2) Meet the good character requirements of RCW 18.04.105 (1)(a);
- (3) Comply with the Act and board rules;
- (4) Be an active individual participant in the licensed firm or affiliated entities as these terms are defined in WAC 4-25-410; and
- (5) If you are a resident of Washington state, you must:
 - (a) File a complete registration with the board; and
 - (b) Demonstrate a passing grade of ninety percent or better on the AICPA professional ethics examination.

To apply to register as a resident nonlicensee firm owner, you must use the application form(s) provided by the board. You need to fully complete the form(s) and submit the form(s), all applicable fees, and all required documentation to the board's office.

An initial application is not complete and cannot be processed until all fees, required documentation, required information, and other documentation deemed necessary by the board are received by the board. When the processing of your application is complete, your registration will be mailed to the last address you provided to the board.

Your initial registration will expire on June 30 of the third calendar year following initial issuance of the permit.

All nonlicensee firm owners are subject to discipline for violation of the act or board rules.

If you are a Washington state resident, you may not hold ownership interest in a CPA firm licensed in Washington state until you receive written notice from the board of your Washington state registration number.

NEW SECTION

WAC 4-25-756 How do I apply for an initial permit to practice and with which rules must a permit holder comply? If you hold a valid license to practice public accountancy in another state and your principal place of business is outside of Washington state, you may apply for a permit to practice in Washington state.

To qualify to apply for a permit:

(1) Your education, examination, and experience must be equivalent to Washington's requirements for initial licensure; or

(2) Your original license must be issued by a state the board has deemed substantially equivalent to Washington's requirements; and

(3) Your principal place of business must not be in Washington state; and

(4) You must hold a valid license, certificate, or permit to practice public accounting from another state.

Permit holders must comply with the act and all board rules applicable to Washington state licensees, are subject to discipline for violation of the act or board rules, and are exempt from the CPE requirements.

To apply for an initial permit to practice, you must use the application form(s) provided by the board. You need to fully complete the form(s) and submit the form(s), all applicable fees, and all required documentation to the board's office.

An initial application is not complete and cannot be processed until all fees, required documentation, required information, and other documentation deemed necessary by the board are received by the board. When the processing of your application is complete, your permit will be mailed to the last address you provided to the board.

Your initial permit will expire on June 30 of the third calendar year following initial issuance of the permit.

You may not use the title CPA until you receive written notice from the board of your Washington state permit number.

As a permit holder, unless you are a sole practitioner, you may only offer to provide attest services in a licensed CPA firm meeting the requirements of WAC 4-25-750.

AMENDATORY SECTION (Amending WSR 00-11-076, filed 5/15/00, effective 6/30/00)

WAC 4-25-781 What are the rules governing reciprocity for accountants from foreign countries? (1) Under the authority provided by RCW 18.04.183, the board may rely on the National Association of State Boards of Accountancy, the American Institute of Certified Public Accountants, or other professional bodies for evaluation of foreign accounting credential equivalency.

(2) ~~((The board may accept))~~ Your foreign accounting credential may be accepted in partial satisfaction of ~~((CPA certification))~~ licensing requirements if:

(a) You met the foreign issuing body's education ~~((and))~~, examination, and ethical requirements used to qualify its domestic candidates;

(b) Your foreign accounting credential is valid and in good standing at the time you apply for a Washington state ~~((CPA))~~ license ~~((and/or certificate))~~; and

(c) The foreign issuing body granting your foreign accounting credential permits Washington CPAs an equivalent opportunity to receive the foreign accounting credential by reciprocity.

(d) You demonstrate satisfactory experience in a foreign or domestic professional accounting firm. The board will, by policy, specify experience standards for each foreign accounting credential accepted by the board.

The board will, by policy, identify acceptable foreign accounting credentials and acknowledge reciprocal agreements with bodies granting foreign accounting credentials.

(3) The board may require a qualifying examination(s) to determine if you possess adequate knowledge of U.S. practice standards and the board's regulations. The board will, by policy, specify the form of qualifying examination(s) and passing grade(s).

~~(4) ((The board will require you to demonstrate satisfactory experience in a foreign or domestic professional accounting firm. The board will, by policy, specify experience standards for each foreign accounting credential accepted by the board.~~

~~+5+))~~ You must meet the CPE requirements of WAC 4-25-830.

(5) If you hold a Washington state CPA license ~~((and/))~~ or certificate issued through the foreign reciprocity provisions of the Act, you must ~~((report))~~ notify the board of any investigations undertaken, or sanctions imposed, by a foreign credentialing body against your foreign credential within thirty days of your receiving notice that an investigation has begun or a sanction was imposed.

(6) If you hold a Washington state license or certificate issued through the foreign reciprocity provisions of the Act, you must notify the board within thirty days if your foreign license, permit, or certificate has lapsed or otherwise becomes invalid.

AMENDATORY SECTION (Amending WSR 00-11-076, filed 5/15/00, effective 6/30/00)

WAC 4-25-782 How do I apply for an initial Washington state license ~~((and/or certificate))~~ through foreign reciprocity?
~~((+1))~~ Pursuant to RCW 18.04.183 the board may issue a ~~((certificate and/or))~~ license ~~((if))~~ through foreign reciprocity provided you meet the ~~((board's))~~ requirements for application through foreign reciprocity established by the Act, WAC 4-25-781 and 4-25-830.

To apply for an initial Washington state CPA license ~~((and/or certificate))~~, you must use the foreign reciprocity application form(s) provided by the board ~~((and satisfy continuing professional education (CPE) requirements in WAC 4-25-830))~~.

~~((+2))~~ You need to fully complete the form(s), ~~((have your signature notarized or the foreign equivalent of a notarization,))~~ and submit the form(s), all applicable fees, ~~((and all))~~ required information, required documentation, or other documentation deemed necessary by the board to the board's office.

~~((+3))~~ An application is not complete and cannot be processed until all fees, required information, ~~((and))~~ required documentation, or other documentation deemed necessary by the board are received by the board. When the processing of your application is complete, ~~((notification))~~ your license will be mailed to the last address you provided to the board.

~~((+4))~~ Your Washington state CPA license ~~((and/or certificate))~~ will expire on June 30 of the third calendar year following initial licensure ~~((and/or certification))~~.

~~((+5))~~ You may not use the title CPA ~~((and you may not hold out as a CPA in public practice))~~ until you have ~~((filed a complete application with the board))~~ received written notice from the board of your Washington state license number. ~~((A licensee))~~ Attest services may only ~~((practice public accountancy))~~ be offered or performed in a ~~((licensed))~~ CPA firm licensed by the Washington state board of accountancy.

AMENDATORY SECTION (Amending WSR 00-11-076, filed 5/15/00, effective 6/30/00)

WAC 4-25-783 How do I renew a Washington CPA certificate and/or license granted through foreign reciprocity? In January of the year of expiration, a renewal form will be mailed to the last address you provided to the board.

To renew ~~((a CPA))~~ your individual license or certificate originally ~~((issued in reliance on a))~~ granted through foreign ~~((professional accounting credential)) reciprocity,~~ you must~~((~~

~~((1) Submit an application for renewal, including appropriate fees and documentation, at the time and in the same manner prescribed for all Washington state CPAs; and~~

~~((2)))~~ submit to the board by April 30th of the year of expiration:

(1) A completed renewal application form including:

(a) Your certification that you have complied with the CPE requirements of WAC 4-25-830 and the supporting documentation requirements of WAC 4-25-833; and

(b) Documentation from the foreign issuing body certifying:

~~((a)))~~ (i) Your foreign credential is in good standing and valid for the practice of public accountancy in the foreign jurisdiction; and

~~((b)))~~ (ii) You are not currently under disciplinary investigation or action; or

~~((c)))~~ (iii) If you are currently under disciplinary investigation or action, a statement as to the nature of the allegations~~((~~); and

~~((3)))~~ (c) If you no longer hold the foreign credential used to qualify for a Washington state CPA license and/or certificate, you must submit documentation from the foreign issuing body certifying that you were not the subject of any investigations or disciplinary proceedings at the time the foreign credential lapsed.

(2) All applicable fees; and

(3) All required documentation.

A renewal application is not complete and cannot be processed until all fees, required information, required documentation, or other documentation deemed necessary by the board is received by the board. Upon completion of processing, your individual license or confirmation of your certificate renewal will be mailed to the last address you provided to the board.

An individual license or certificate renewal expires on June 30 of the third calendar year following the renewal.

Failure to file a complete application for an individual license or certificate renewal by April 30 of the year of expiration will result in late fees. The board may waive,

reduce, or extend the due date of renewal and/or late fees based on individual hardship.

If you fail to file a complete application for individual license or certificate renewal by June 30 of the year of expiration, your individual license or certificate will lapse.

If your individual license or certificate has lapsed, you may not use the title CPA or CPA-Inactive.

AMENDATORY SECTION (Amending WSR 99-18-120, filed 9/1/99, effective 1/1/00)

WAC 4-25-790 How do I renew my ((CPA)) individual license ((and/or)), certificate, permit, or registration as a resident nonlicensee firm owner? To renew your individual license ((and/or)), certificate, permit, or registration as a resident nonlicensee firm owner, you must use the form(s) provided by the board and satisfy CPE requirements in WAC 4-25-830. In January of the year of expiration, a renewal form will be mailed to the last address you provided to the board. ~~((Renewal of your license constitutes renewal of your certificate.))~~

To renew your individual license ((and/or)), certificate, permit, or registration as a resident nonlicensee firm owner, you must submit to the board by April 30th of the year of expiration:

((+)) (1) A complete renewal application form including:

(a) Your certification that you have complied with the CPE requirements of WAC 4-25-830 and the supporting documentation requirements of WAC 4-25-833; and

(b) A listing of all states and foreign jurisdictions in which you hold or have applied for a license, certificate, or permit to practice;

((+)) (2) All applicable fees; and

((+)) (3) All required documentation, required information, and other documentation deemed necessary by the board.

A licensee may not renew as a certificateholder.

A renewal application is not complete and cannot be processed until all fees, required information, ~~((and))~~ required documentation ~~((is))~~, and other documentation deemed necessary by the board are received by the board. Upon completion of processing, your individual license ((or)), permit, confirmation of your ((renewal)) certificate renewal, or confirmation of the renewal of your registration as a resident nonlicensee firm owner will be mailed to the last address you provided to the board.

((A)) An individual license ((and/or)), permit, certificate, or registration as a resident nonlicensee firm owner renewal expires on June 30 of the third calendar year following the renewal.

Failure to file a complete application for an individual license, certificate ((and/or license)), permit, or registration as a resident nonlicensee firm owner renewal by April 30 of the year of expiration will result in late fees. The board may waive, reduce, or extend the due date of renewal and/or late fees based on individual hardship.

If you fail to file a complete application for an individual license, certificate ((and/or license)), permit, or registration as a resident nonlicensee firm owner renewal by June 30 of the year of expiration your individual license ((and/or)), certificate, permit, or registration as a resident nonlicensee firm owner will lapse. If your individual license ((and/or)), certificate, or permit has lapsed, you may not use the title CPA ((or hold out as a CPA in public practice)) or CPA-Inactive. If your registration as a resident nonlicensee firm owner has lapsed, you may not be an owner of a CPA firm.

AMENDATORY SECTION (Amending WSR 99-18-121, filed 9/1/99, effective 1/1/00)

~~WAC 4-25-791 ((If I hold a certificate under the reasonable cause exemption to the CPE requirements,)) I am a certificateholder. Prior to July 1, 2001, I held a license. How do I apply to return to my previous status as a licensee ((or a certificate holder))?~~ Certificateholders who held a license at any time prior to July 1, 2001, may apply to return to their previous status as a licensee. If you ((hold a certificate under the reasonable cause exemption)) are a certificateholder, you may not ((hold out as a CPA in public)) practice ((or use the title CPA)) public accounting until ((your license and/or certificate is returned to its previous status)) you return to your previous status as a licensee.

If you hold a valid certificate, to apply to return to your ((previous)) previously held status as a licensee ((or a certificate holder)), you must use the form provided by the board and satisfy CPE requirements in WAC 4-25-830. An application is not complete and cannot be processed until all ((fees,)) required information, ((and)) required documentation ((is)), and other documentation deemed necessary by the board are received by the board.

To apply to return to your previous status as a licensee you must submit to the board:

((+)) (1) A complete application form including your certification, under the penalty of perjury, that you have:

((+1)) (a) Not held out in public practice ((and/or used the title CPA)) during the time in which you were a ((certificate holder under the reasonable cause exemption)) certificateholder; and

((+2)) (b) Met the CPE requirements to return to your previous status in WAC 4-25-830;

((+ All applicable fees; and

+)) (2) Other ((documents or information the board may deem necessary)) required documentation, required information, and other documentation deemed necessary by the board.

Upon approval of your application, your license ((or notification of certification)) will be mailed to the last address you provided to the board.

You may not hold out in public practice until you receive written notice from the board of your Washington state CPA license number. A licensee may only offer to provide attest services in a licensed CPA firm meeting the requirements of WAC 4-25-750.

AMENDATORY SECTION (Amending WSR 99-18-122, filed 9/1/99, effective 1/1/00)

WAC 4-25-792 How do I apply for reinstatement of a lapsed ((CPA)) individual license ((and/or)), certificate, permit, or registration as a resident nonlicensee firm owner? If your ((CPA)) individual license ((and/)), permit or certificate has lapsed, you may not ~~((hold out as a))~~ use the title CPA ((in public practice or use the title CPA)) or CPA-Inactive until your individual license ((and/or)), certificate, or permit is reinstated by the board.

An individual who has a lapsed individual license may not apply to reinstate as a certificateholder.

If your registration as a resident nonlicensee firm owner has lapsed, you may not be an owner of a CPA firm until your registration is reinstated by the board.

To apply for reinstatement of a lapsed individual license ((and/or)), certificate, permit, or registration as a nonlicensee firm owner you must use the form provided by the board and satisfy CPE requirements in WAC 4-25-830. An application is not complete and cannot be processed until all fees, required information, ~~((and))~~ required documentation ((is)), and other documentation deemed necessary by the board are received by the board.

To apply for reinstatement, you must submit to the board:

((+)) (1) A complete reinstatement form including your certification, under the penalty of perjury, that you have:

((+1)) (a) For applicants to reinstate a license, certificate, or permit: Not ~~((held out in public practice and/or))~~ used the title CPA or CPA-Inactive during the time in which your individual license ((and/or)), certificate, or permit was lapsed; or

((+2)) (b) For applicants to reinstate a registration as a resident nonlicensee firm owner: Not participated as an owner in a CPA firm during the time in which your registration as a resident nonlicensee firm owner was suspended or revoked; and

(c) Met the CPE requirements for reinstatement in WAC 4-25-830; and

((+3)) (d) Met the CPE supporting documentation requirements in WAC 4-25-833;

((+)) (2) Source documents as evidence of eligibility for CPE credit for all courses claimed in order to meet CPE requirements as defined by WAC 4-25-833;

((+)) (3) A listing of all states and foreign jurisdictions in which you hold or have applied for a license, certificate, or permit to practice;

(4) All applicable fees; and

~~((• Other documents or information the board may deem necessary.))~~ (5) Other required documents, required information, and other documentation deemed necessary by the board.

Upon approval of your reinstatement application, your license ~~((reinstatement))~~, permit, notification of your registration as a resident nonlicensee owner, or notification of certification ~~((reinstatement))~~ will be mailed to the last address you provided to the board.

NEW SECTION

WAC 4-25-793 If I am in a retiree status, how do I apply to return to my previous status as a licensee or a certificateholder? If you are in a retiree status, you may not use the title CPA or CPA-Inactive until you return to your previous status.

To apply to return to your previously held status as either a licensee or a certificateholder you must use the form(s) provided by the board and satisfy CPE requirements in WAC 4-25-830. An application is not complete and cannot be processed until all fees, required information, required documentation, or other documentation deemed necessary by the board are received by the board.

If you previously held a license, you are not eligible to apply for certificateholder status.

To apply to return to your previous status, you must submit to the board:

(1) A complete application form including your certification, under the penalty of perjury, that you have:

(a) Not used the title CPA or CPA-Inactive during the time in which you were in retiree status; and

(b) Met the CPE requirements to return to your previous status in WAC 4-25-830;

(2) All applicable fees; and

(3) Other required documentation, required information, or other documentation deemed necessary by the board.

Upon approval of your application, your license or notification of your status as a certificateholder will be mailed to the last address you provided to the board.

You may not use the title CPA or CPA-Inactive until you receive written notice from the board that your application has been approved.

Attest services may only be performed in a licensed CPA firm meeting the requirements of WAC 4-25-750.

AMENDATORY SECTION (Amending WSR 99-18-123, filed 9/1/99, effective 1/1/00)

WAC 4-25-795 How do I apply for reinstatement of a revoked or suspended ((CPA)) license ((and/or)), certificate, permit, or registration as a resident nonlicensee firm owner? If your ((CPA)) license ((and/or)), certificate, or permit was revoked or suspended by the board pursuant to ((RCW 18.04.295, 18.04.305 and/or 18.04.335)) the Act, you may not ((hold out as a CPA in public practice or)) use the title CPA or CPA-Inactive until your license ((and/or)), certificate, or permit is reinstated by the board.

If your registration as a resident nonlicensee firm owner was revoked or suspended by the board pursuant to the Act, you may not be a firm owner until your registration is reinstated by the board.

You may apply to the board for modification of the suspension or revocation after ((one)) three years ((has)) have elapsed from the effective date of the board's order revoking or suspending your license ((and/or)), certificate, or permit unless the board sets some other period by order. However, if you made a previous application with respect to the same order, no additional application will be considered before the lapse of an additional three years following the board's decision on the last such previous application.

To apply for reinstatement of a revoked or suspended license ((and/or)), certificate, permit, or registration as a resident nonlicensee firm owner you must use the form provided by the board and satisfy CPE requirements in WAC 4-25-830. An application is not complete and cannot be processed until all fees, required information, ((and)) required documentation ((is)), and other documentation deemed necessary by the board are received by the board.

To apply for reinstatement, you must submit to the board:

((+)) (1) A complete reinstatement form including your certification under the penalty of perjury, that you have:

((+1)) (a) For applicants to reinstate a license, certificate, or permit: Not ((held out in public practice and/or)) used the title CPA during the time in which your license ((and/or)), certificate, or permit was suspended or revoked; or

((+2)) (b) For applicants to reinstate a registration as a resident nonlicensee firm owner: Not participated as an owner in a CPA firm during the time in which your registration as a resident nonlicensee firm owner was suspended or revoked; and

(c) Met the CPE requirements for reinstatement in WAC 4-25-830; and

((+3)) (d) Met the CPE supporting documentation requirements in WAC 4-25-833;

((+)) (2) A listing of all states and foreign jurisdictions in which you hold or have applied for a license, certificate, or permit to practice;

(3) All applicable fees;

((+)) (4) Source documents as evidence of eligibility for CPE credit for all courses claimed in order to meet CPE requirements as defined by WAC 4-25-833;

((+)) (5) Written substantiation of the reasons constituting good cause for the reinstatement;

((+)) (6) Two supporting recommendations, under penalty of perjury, from ((CPA)) licensees who have personal knowledge of your activities since the suspension or revocation was imposed; and

((+)) (7) Other ~~((documents or information which the board may deem necessary))~~ required documentation, required information, and other documentation deemed necessary by the board.

In considering the reinstatement application, the board may consider all relevant factors, including but not limited to:

((+)) (a) The offense for which you were disciplined;

((+)) (b) Your activities since the disciplinary penalty was imposed;

((+)) (c) Your activities during the time the license, certificate ((or)), permit, or registration as a resident nonlicensee firm owner was in good standing;

((+)) (d) Your rehabilitative efforts;

((+)) (e) Restitution to damaged parties in the matter for which the penalty was imposed; and

((+)) (f) Your general reputation for truth and professional probity.

If the board decides to consider the merits of your application for reinstatement, in the board's discretion, a hearing may be held following such procedures as the board deems suitable for the particular case. If the board decides that it will not consider the merits of your application for reinstatement, then this constitutes final agency action and there is no further administrative review available to you. As a condition of reinstatement, the board may impose such terms and conditions as it deems suitable.

The board will not consider an application for reinstatement while you are under sentence for any criminal offense, including any period during which you are on court-imposed probation or parole.

AMENDATORY SECTION (Amending WSR 94-02-071, filed 1/4/94, effective 2/4/94)

WAC 4-25-820 What are the requirements for participating in quality assurance review (QAR) ((program.))? (1) **Purpose.** ~~((The Washington state board of accountancy is charged with protection of the public interest as it relates to the licensure of certified public accountants (CPAs).))~~ The purpose of the QAR program ~~((hereinafter referred to as program))~~ is to monitor licensees' compliance with ~~((professional))~~ attest standards.

(2) **Structure and implementation.**

(a) The board will annually appoint a quality review committee ~~((hereinafter referred to as committee))~~ to perform the following functions:

(i) Review of financial statements and the reports of licensees thereon to assess their compliance with applicable professional standards;

(ii) Improvement of reporting practices of licensees through education and rehabilitative measures;

(iii) Referral of cases requiring further investigation to the board or its designee~~((s))~~; and

(iv) Such other functions as the board may assign to the committee.

(b) Once every three years the board may request from each ~~((CPA))~~ licensed firm ~~((licensed by the board))~~, and such firm shall submit, for each of its offices, a compilation report, a review report, and an audit report. A firm shall select these reports from all reports prepared during the twelve months preceding the date of board request or, if no reports have been issued within the last twelve months, from all reports during the preceding three years.

~~((+))~~ If reports issued by all offices of a firm are reviewed and issued in a controlled, centralized process, only one of each of the reports specified above need be submitted by the firm as a whole.~~((+))~~

(c) The board may exempt from the requirement of (b) of this subsection any firm which has participated in a board-approved peer ~~((or quality))~~ review program within the three years immediately preceding the date of board request. Firms requesting exemption must submit a copy of an unmodified report from ~~((a))~~ the reviewing organization acceptable to the board. Firms that receive modified peer ~~((or quality))~~ review reports may request exemption, but must submit copies of such reports and related correspondence, at the discretion of the board, for consideration on an individual basis.

(d) Any documents submitted in accordance with (b) of this subsection may have the name of the client, the client's address, and other identifying factors omitted, provided that the omission does not render the type or nature of the enterprise undeterminable. Dates may not be omitted.

(e) The ((~~quality review~~)) committee may ((~~also~~)) solicit and review financial statements and related reports of licensees from clients, public agencies, banks, and other users of financial statements.

(f) In gathering information about the ((~~professional~~)) attest work of licensees, the committee may make use of investigators, either paid or unpaid, who are not themselves members of the committee.

(g) The identities of the sources of financial statements and reports received by the board or the committee from other than the licensees who issued the reports shall be preserved in confidence. Reports submitted to the committee pursuant to (b) of this subsection and comments of reviewers, the committee and the board on such reports or workpapers relating thereto, shall also be preserved in confidence except to the extent that they are communicated by the board to the licensees who issued the reports or disclosure is required under administrative procedure rules or by direction of a court of law.

(h) The committee's review of financial statements and reports of the licensees thereon shall be directed toward the following:

(i) Presentation of financial statements in conformity with generally accepted accounting principles;

(ii) Compliance by licensees with generally accepted auditing standards;

(iii) Compliance by licensees with other professional standards; and

(iv) Compliance by licensees with the rules of the board and other regulations relating to the practice of public accounting.

(i) If the board determines that a report referred to the board by the committee is substandard or seriously questionable with respect to applicable professional standards, the board may take one or more of the following actions:

(i) Send the licensee firm a letter of comment detailing the perceived deficiencies and require the licensee to develop quality control procedures to ((~~insure~~)) ensure that similar occurrences will not occur in the future;

(ii) Require any individual licensee who had responsibility for issuance of a report, or who substantially participated in preparation of the report and/or related workpapers, to successfully complete specific courses or types of continuing education as specified by the board;

(iii) Require that the office responsible for a substandard report submit all or specified categories of its reports to a preissuance review in a manner and for a duration prescribed by the board;

(iv) Require the office or the licensee firm responsible for a substandard report to submit to a peer review conducted in

accordance with standards acceptable to the board. The board may access the cost of the peer review to the firm;

(v) Require the licensee firm responsible for substandard work to submit to on-site review or other investigative procedures of work product and practices by board representatives in order to assess the degree or pervasiveness of substandard work. The board may assess the costs of such procedures to the firm if the results of such investigative efforts substantiate the existence of substandard work product;

(vi) Initiate an investigation pursuant to RCW 18.04.295, 18.04.305, and/or 18.04.320 if it appears that the professional conduct reflected in a substandard report is so serious as to warrant consideration of possible disciplinary action.

AMENDATORY SECTION (Amending WSR 00-11-077, filed 5/15/00, effective 6/30/00)

WAC 4-25-830 What are the CPE requirements? (1) ~~((For CPE reporting periods beginning January 1, 2000, or later,))~~ The following CPE is required during the three calendar year period prior to renewal:

Category	Maximum CPE Allowed in Nontechnical Subject Areas	Minimum CPE in Ethics Applicable to Practice in WA State	Total CPE
(a) A licensee.	24	4	120
(b) A certificateholder ((whose activities during the 3-year calendar period prior to renewal do not require a license to practice public accounting)) or a <u>resident nonlicensee firm owner.</u>	Exempt	4	((120)) 4
(c) A permitholder	Exempt	Exempt	Exempt

(2) Subject area requirements:

~~((a))~~ Licensees are limited to a maximum of 24 CPE credit hours in nontechnical subject areas during the CPE reporting period.

~~((b) If you are a certificateholder, you are exempt from the limitation of CPE credit hours in nontechnical subject areas.))~~

(3) Ethics applicable to practice in ((WA)) Washington state: During each CPE reporting period all licensees ~~((and)),~~ certificateholders, and resident nonlicensee firm owners are required to complete a four-hour course on professional ethics with specific application to the practice of public accounting in Washington state.

(4) 20 hours a year minimum: ~~((For CPE reporting periods beginning after December 31, 1999, you))~~ Licensees must complete a minimum of 20 hours of CPE each calendar year. This requirement is waived for the first calendar year of a ~~((certificateholder's))~~ licensee's initial CPE reporting cycle.

(5) ~~((Reasonable cause exemption:~~ ~~Retirees and certificateholders who will not make any public, professional, commercial, or occupational use of the title CPA during the upcoming three year period are deemed to have met the reasonable cause exemption and may therefore renew their certificate under the reasonable cause exemption and be exempt from the CPE requirements. However, individuals holding a certificate under the reasonable cause exemption may not hold out in public practice nor may they make any professional, occupational,~~

~~commercial or public use of the CPA title.))~~ **Renewal following retirement:**

(a) CPAs who provide confirmation to the board demonstrating they have discontinued the public, professional, commercial, and/or occupational use of the title CPA are granted an exemption from the CPE requirements, may not hold out in public practice, and may not make any use of the CPA or CPA-Inactive title.

(b) In order to return to your previous held status as a licensee you must meet the CPE requirements of subsection (1)(a) of this section.

(c) In order to return to your previous held status as a certificateholder you must meet the CPE requirements of subsection (1)(b) of this section.

~~(6) ((Return to previous status:))~~ **For a certificateholder to either qualify to apply for a license or return to their previous held status as a licensee:** If you ~~((seek))~~ hold a valid certificate and you wish to apply for a license or you want to ~~((change))~~ return to your previously held status as a ~~((certificateholder exempted from the CPE requirements under the reasonable cause exemption to a:~~

~~(a))~~ licensee, you must satisfy the requirements of subsection (1)(a) of this section within the three-year period immediately preceding the date ~~((the))~~ your application for licensure or your application for change in status was received by the board~~((; or~~

~~(b) Certificateholder, you must satisfy the requirements of subsection (1)(b) of this section within the three year period immediately preceding the date the application for change in status was received by the board)).~~

(7) Reinstatement of a lapsed, suspended, or revoked license ((and/or)), certificate, permit, or registration as resident nonlicensee firm owner:

(a) If you seek to reinstate a lapsed, suspended, or revoked license ~~((and certificate))~~, you must satisfy the requirements of subsection (1)(a) of this section within the three-year period immediately preceding the date the application for reinstatement was received by the board.

(b) If you seek to reinstate a lapsed, suspended, or revoked certificate, permit, or registration as a resident nonlicensee firm owner, you must satisfy the requirements of subsection (1)(b) of this section within the three-year period immediately preceding the date the application for reinstatement was received by the board.

(8) Reciprocity: If you are applying for an initial Washington state CPA license ~~((and/or certificate))~~ under the reciprocity provisions of ~~((RCW 18.04.180 or 18.04.183))~~ the Act, you must satisfy the ~~((applicable))~~ requirements in subsection (1)(a) of this section within the three-year period immediately preceding the date the application was received by the board. For purposes of an initial ~~((license and/or~~

~~certificate))~~ licensure, you do not need to satisfy the ethics requirements of subsection (3) of this section.

Thereafter, in order to renew your Washington state ~~((CPA))~~ license ~~((and/or certificate))~~, you must comply with all the ~~((applicable))~~ renewal requirements in subsection (1)(a) of this section, including the ethics requirements in subsection (3) of this section.

(9) **CPE waiver request:** In order to renew your license ~~((and/or))~~, certificate, or registration as a nonlicensee firm owner you must complete the required CPE by the end of the CPE reporting period preceding your renewal unless you can demonstrate your failure to meet the CPE requirements was due to reasonable cause. The board may ~~((make))~~ provide limited ~~((exceptions))~~ extensions to the CPE requirements for reasons of individual hardship including health, military service, foreign residence, or other reasonable cause. You must request such an ~~((exception))~~ extension in writing on the form(s) provided by the board. The request must include justification for the request and your plan to correct your CPE deficiency.

AMENDATORY SECTION (Amending WSR 99-23-046, filed 11/15/99, effective 1/1/00)

WAC 4-25-831 What are the program standards for CPE? (1) **Qualifying program:** A program qualifies as acceptable CPE for purposes of RCW 18.04.215(~~((4))~~) (5) if it is a formal program of learning which contributes to the growth in the professional knowledge and professional competence of an individual in the practice of the profession. A formal program means:

- The program is at least fifty minutes in length;
- Attendance is recorded;
- Participants sign in to confirm attendance and, if the program is greater than four credit hours, participants sign out during the last hour of the program; and
- Attendees are provided a certificate of completion.

(2) **Undergraduate and graduate courses:** A graduate or undergraduate course qualifies for CPE credit if it meets the standards in subsections (1) and (5) of this section. For both undergraduate and graduate courses one quarter credit equals 10 CPE credit hours and one semester credit equals 15 CPE credit hours.

(3) **Committee meetings:** Generally, CPE credit is not allowed for attending committee meetings. A meeting qualifies for CPE credit only if it meets the standards in subsections (1) and (5) of this section.

(4) **Quality assurance review:** Service on the board's QAR committee, participating as a QAR team captain or reviewer, and participating on other board-approved quality or peer review committees may be considered for CPE credit as defined by board policy.

(5) **Subject areas:** Programs dealing with the following general subject areas are acceptable so long as they meet the standards in subsection (1) of this section:

- (a) Technical subjects include:
 - (i) Auditing standards or procedures;
 - (ii) Compilation and review of financial statements;
 - (iii) Financial statement preparation and disclosures;
 - (iv) Attestation standards and procedures;
 - (v) Projection and forecast standards or procedures;
 - (vi) Accounting and auditing;
 - (vii) Management advisory services;
 - (viii) Personal financial planning;
 - (ix) Taxation;
 - (x) Management information services;
 - (xi) Budgeting and cost analysis;
 - (xii) Asset management;

(xiii) Professional ethics (other than those programs used to satisfy the requirements of WAC 4-25-830(3));
(xiv) Specialized areas of industry;
(xv) Human resource management;
(xvi) Economics;
(xvii) Business law;
(xviii) Mathematics, statistics, and quantitative applications in business;
(xix) Business management and organization;
(xx) General computer skills, computer software training, information technology planning and management; and
(xxi) Negotiation or dispute resolution courses;
(b) Nontechnical subjects include:
(i) Communication skills;
(ii) Interpersonal management skills;
(iii) Leadership and personal development skills;
(iv) Client and public relations;
(v) Practice development;
(vi) Motivational and behavioral courses; and
(vii) Speed reading and memory building;
~~((viii) Negotiation or dispute resolution courses;))~~
(c) Professional ethics with specific application to the practice of public accounting in Washington state covers the following subjects: Revised Code of Washington chapter 18.04, Washington Administrative Code chapter 4-25, and the code of professional conduct promulgated by the American Institute of CPAs.

Subjects other than those listed above may be acceptable provided you can demonstrate they contribute to your professional competence. You are solely responsible for demonstrating that a particular program is acceptable.

(6) **Group programs:** You may claim CPE credit for group programs such as the following so long as the program meets the standards in subsections (1) and (5) of this section:

(a) Professional education and development programs of national, state, and local accounting organizations;
(b) Technical sessions at meetings of national, state, and local accounting organizations and their chapters;
(c) Formal in-firm education programs;
(d) Programs of other organizations (accounting, industrial, professional, etc.);
(e) Dinner, luncheon, and breakfast meetings which are structured as formal educational programs;
(f) Firm meetings for staff and/or management groups structured as formal education programs. Portions of such meetings devoted to communication and application of general professional policy or procedure may qualify, but portions devoted to firm administrative, financial and operating matters generally will not qualify.

(7) **CPE credit:** CPE credit is allowable only for those programs taken after the issuance of the CPA certificate. Credit is not allowed for programs taken to prepare an applicant

for the ethics examination as a requirement for initial certification. CPE credit is given ~~((for whole hours only, with))~~ in half-hour increments only after the first full CPE credit hour has been earned. A minimum of fifty minutes constituting one CPE credit hour and, after the first fifty-minute segment has been earned, twenty-five minutes constitutes one-half hour. For example ~~((, one hundred minutes of continuous instruction counts as two hours of CPE credit; however, more than fifty minutes but less than one hundred minutes of continuous instruction counts only as one hour CPE credit))~~ :

- Twenty-five minutes of continuous instruction counts as zero CPE credit hour;

- Fifty minutes of continuous instruction counts as one CPE credit hour; and

- Seventy-five minutes of continuous instruction counts as one and one-half CPE credit hours.

Attendees obtain CPE credit only for time spent in instruction; no credit is allowed for preparation time.

(8) **Self-study programs:** Credit for self-study programs is allowed in the renewal period in which you completed the program as established by the evidence of completion provided by the program sponsor.

(a) **Interactive self-study programs:** The amount of credit allowed for interactive self-study is that which is recommended by the program sponsor on the basis of the average completion time under appropriate "field tests." In order to claim CPE credit for interactive self-study programs, you must obtain evidence of satisfactory completion of the course from the program sponsor.

(b) **Noninteractive self-study programs:** The amount of credit allowed for noninteractive self-study is one-half the average completion time as determined by the program sponsor on the basis of appropriate "field tests." To claim CPE credit for noninteractive self-study programs, you must obtain evidence of satisfactory completion of the course from the program sponsor.

(9) **Instructor, discussion leader, or speaker:** If you serve as an instructor, discussion leader or speaker at a program which meets the standards in subsections (1) and (5) of this section, the first time you present the program you may claim CPE credit for both preparation and presentation time. One hour of credit is allowed for each fifty minutes of instruction. Additionally, you may claim credit for actual preparation time up to two times the presentation hours. No credit is allowed for subsequent presentations. A maximum of ~~((72))~~ seventy-two CPE credit hours are allowed for preparation and presentation during each CPE reporting period.

(10) **Published articles, books:** You may claim CPE credit for published articles and books, provided they contribute to your professional competence. Credit for preparation of such publications may be claimed on a self-declaration basis for up to ~~((30))~~ thirty hours in a CPE reporting period. In exceptional circumstances, you may request additional credit by

submitting the article(s) or book(s) to the board with an explanation of the circumstances that justify a greater credit. The amount of credit awarded for a given publication will be determined by the board.

(11) **Carry-forward:** CPE credit hours you complete during one period cannot be carried forward to the next period.

(12) **Carry-back:** As specified in WAC 4-25-830(9), CPE credit hours you complete during one period can be carried back to the previous reporting period(~~(; however,~~)) only ((in accordance with WAC 4-25-830(5))~~))~~ after the board has approved your request to carry back CPE credit hours.

(13) **Credential examination:** You may not claim CPE credit for preparing for or taking a credential examination unless you complete a formal review course and receive a certificate of completion meeting the requirements of WAC 4-25-833. CPE credit may not be claimed for CPA examination review courses.

AMENDATORY SECTION (Amending WSR 99-23-047, filed 11/15/99, effective 1/1/00)

WAC 4-25-832 How do I report my CPE to the board? In order to apply for renewal of your ((CPA)) license ((and/or)), certificate, or registration as a resident nonlicensee firm owner, you must satisfy the board's CPE and supporting documentation requirements.

The reporting of compliance with CPE requirements is concurrent with ((the)) filing your renewal application ((for license and/or certificate renewal)). When you complete your renewal form, you are required to sign a statement certifying under the penalty of perjury that you complied with the board's CPE requirements as defined in WAC 4-25-830 and supporting documentation requirements as defined in WAC 4-25-833.

The board audits, on a test basis, compliance with CPE and supporting documentation requirements as certified on the ((license and/or certificate)) renewal form. As part of this audit the board may require ((a general description of each course's contribution to your professional competence)) additional information to demonstrate your compliance with the board's rules.

AMENDATORY SECTION (Amending WSR 99-23-048, filed 11/15/99, effective 1/1/00)

WAC 4-25-833 What documentation must I retain to support my eligibility for CPE credits? (1) For each program for which you claim CPE credit you must retain documentation to support all of the following required information:

- (a) Program sponsor;
- (b) Title of program or description of content;
- (c) Date(s) attended;
- (d) Number of CPE credit hour(s); ~~((and))~~
- (e) Attendee name; and
- (f) Acceptable evidence of completion.

(2) Acceptable evidence supporting the requirements of subsection (1) of this section includes:

(a) For group programs, a certificate, or other acceptable verification as defined by board policy, that is supplied by the program sponsor;

(b) For self-study programs, a certificate supplied by the program sponsor after satisfactory completion of a workbook or examination;

(c) For a university or college course, a record of the grade you received;

(d) For instruction credit, evidence obtained from the program sponsor of your having been the instructor or discussion leader at the program; or

(e) For published articles or books, evidence of publication.

(3) You are responsible for documenting your entitlement to the CPE credit you claim on your ~~((license and/or certificate))~~ renewal form.

(4) You must retain the supporting documentation for CPE credit claimed for ~~((five))~~ three years after ~~((completion of the program))~~ the end of the CPE reporting period in which the credit was claimed.

AMENDATORY SECTION (Amending WSR 00-11-078, filed 5/15/00, effective 6/30/00)

WAC 4-25-910 What are the bases for the board to impose discipline? RCW 18.04.055, 18.04.295, and 18.04.305 authorize(~~(s)~~) the board to revoke, suspend, refuse to renew (~~(a)~~) or reinstate an individual or firm license ((and/or)), certificate, permit, or registration as a resident nonlicensee firm owner; impose a fine not to exceed ((one)) ten thousand dollars((, and)); recover investigative and legal costs; impose full restitution to injured parties; impose remedial sanctions; impose conditions precedent to renew; or prohibit a nonlicensee from holding an ownership interest in a licensed firm for the specific acts listed below.

The following are specific examples of prohibited acts that constitute grounds for discipline under RCW 18.04.295 and 18.04.305. The board does not intend this listing to be all inclusive.

(1) Fraud or deceit in obtaining a (~~(CPA)~~) license (~~((and/or certificate))~~) or in any filings with the board.

(2) Making a false or misleading statement in support of another's application for a license and/or certificate.

(3) Dishonesty, fraud, or negligence while representing oneself as a CPA, CPA firm, or a nonlicensee firm owner including but not limited to:

(a) Practicing public (~~((accountancy))~~) accounting in Washington state prior to obtaining a license;

(b) Making misleading, deceptive, or untrue representations;

(c) Engaging in acts of fiscal dishonesty;

(d) Purposefully, knowingly, or negligently failing to file a report or record, or filing a false report or record, required by local, state, or federal law;

(e) Unlawfully selling unregistered securities;

(f) Unlawfully acting as an unregistered securities salesperson or broker-dealer;

(g) Discharging a trustee's duties in a negligent manner or breaching one's fiduciary duties; or

(h) Withdrawing or liquidating, as fees earned, funds received by a CPA, CPA firm, or a nonlicensee firm owner from a client as a deposit or retainer when the client contests the amount of fees earned, until such time as the dispute is resolved.

(4) The following shall be prima facie evidence that a CPA, CPA firm, or a nonlicensee firm owner has engaged in dishonesty, fraud, or negligence while representing (~~((himself or herself))~~) oneself as a CPA, CPA firm, or a nonlicensee firm owner:

(a) An order of a court of competent jurisdiction finding the CPA, CPA firm, or the nonlicensee firm owner to have committed

an act of negligence, fraud, or dishonesty or other act reflecting adversely on a CPA's, CPA firm's, or nonlicensee firm owner's fitness to represent himself or herself as a CPA, CPA firm, or a nonlicensee firm owner;

(b) An order of a federal, state, local or foreign jurisdiction regulatory body finding the CPA, CPA firm, or nonlicensee firm owner to have committed an act of negligence, fraud, or dishonesty or other act reflecting adversely on a CPA's, the nonlicensee firm owner's, or CPA firm's fitness to represent ~~((himself or herself))~~ itself as a CPA, a nonlicensee firm owner, or a CPA firm;

(c) Cancellation, revocation, suspension, or refusal to renew the right to practice as a CPA or a nonlicensee firm owner by any other state for any cause other than failure to pay a fee or to meet the requirements of continuing education in the other state; or

(d) Suspension or revocation of the right to practice before any state or federal agency.

(5) ~~((Conviction of a crime or an act constituting a crime under: Federal law; the laws of Washington state; or the laws of another state, and which, if committed within this state, would have constituted a crime under the laws of this state.))~~ Any state or federal criminal conviction or commission of any act constituting a crime under the laws of this state, or of another state, or of the United States.

(6) A conflict of interest such as:

(a) Self dealing as a trustee, including, but not limited to:

(i) Investing trust funds in entities controlled by or related to the trustee;

(ii) Borrowing from trust funds, with or without disclosure; and

(iii) Employing persons related to the trustee or entities in which the trust has a beneficial interest to provide services to the trust (unless specifically authorized by the trust creation document).

(b) Borrowing funds from a client unless the client is in the business of making loans of the type obtained by the ~~((certificateholder))~~ CPA, CPA firm, or nonlicensee firm owner and the loan terms are not more favorable than loans extended to other persons of similar credit worthiness.

(7) A violation of the Public Accountancy Act or failure to comply with a board rule contained in chapter 4-25 WAC.

(8) Violation of one or more of the rules of professional conduct included in chapter 4-25 WAC or concealing another's violation of the Public Accountancy Act or board rules.

(9) Failure to cooperate with the board by failing to:

(a) Furnish any papers or documents requested or ordered to produce by the board;

(b) Furnish in writing a full and complete explanation related to a complaint as requested by the board;

(c) Respond to an inquiry of the board;

(d) Respond to subpoenas issued by the board, whether or not the recipient of the subpoena is the accused in the proceeding.

(10) Failure to comply with an order of the board.

(11) A CPA's or nonlicensee firm owner's adjudication as mentally incompetent is prima facie evidence that the CPA or nonlicensee firm owner lacks the professional competence required by the rules of professional conduct.